



Stellungnahme zum Deutschen Institut für Wirtschaftsforschung (DIW)

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Vorbemerkung

Der Senat der Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz – Leibniz-Gemeinschaft – evaluiert in Abständen von höchstens sieben Jahren die Forschungseinrichtungen und die Einrichtungen mit Servicefunktion für die Forschung, die auf der Grundlage der „Ausführungsvereinbarung Forschungseinrichtungen“¹ von Bund und Ländern gemeinsam gefördert werden. Diese Einrichtungen haben sich in der Leibniz-Gemeinschaft zusammengeschlossen. Die wissenschaftspolitischen Stellungnahmen des Senats werden vom Senatsausschuss Evaluierung vorbereitet, der für die Begutachtung der Einrichtungen Bewertungsgruppen mit unabhängigen Sachverständigen einsetzt. Die Stellungnahme des Senats sowie eine Stellungnahme der zuständigen Fachressorts des Sitzlandes und des Bundes bilden in der Regel die Grundlage, auf der der Ausschuss Forschungsförderung der Bund-Länder-Kommission für Bildungsplanung und Forschungsförderung (BLK) überprüft, ob die Einrichtung die Fördervoraussetzungen weiterhin erfüllt.

Auf der Grundlage der vom Deutschen Institut für Wirtschaftsforschung (DIW) eingereichten Unterlagen wurde eine Darstellung der Einrichtung erstellt, die mit dem DIW sowie den zuständigen Ressorts des Sitzlandes und des Bundes abgestimmt wurde (Anlage A). Die vom Senatsausschuss Evaluierung (SAE) eingesetzte Bewertungsgruppe hat das DIW am 28./29. Oktober 2004 besucht und daraufhin einen Bewertungsbericht erstellt (Anlage B). Auf der Grundlage dieses Bewertungsberichts und der vom DIW eingereichten Stellungnahme zum Bewertungsbericht (Anlage C) erarbeitete der Senatsausschuss einen Vorschlag für die Senatsstellungnahme. Der Senat der Leibniz-Gemeinschaft hat die Stellungnahme am 24. November 2005 erörtert und verabschiedet. Er dankt den Mitgliedern der Bewertungsgruppe für ihre Arbeit.

1. Beurteilung und Empfehlungen

Das Institut ist eine national anerkannte Forschungseinrichtung, die hohes Ansehen bei Vertretern aus Politik, Wirtschaft und der interessierten Fachöffentlichkeit genießt. Es wird eine Reihe von Forschungsprojekten bearbeitet, in denen anspruchsvolle und innovative Ansätze und Fragestellungen verfolgt werden.

Der Senat schließt sich der Beurteilung und den Empfehlungen der Bewertungsgruppe an. Das DIW erbringt überwiegend gute Leistungen in der wirtschaftswissenschaftlichen Forschung und Politikberatung sowie sehr gute Leistungen in der Bereitstellung zielgruppenspezifischer Daten.

Der bedeutendste Servicebereich des Instituts ist das Sozioökonomische Panel (SOEP), das seit dem Jahr 2002 eine Abteilung des DIW bildet. Das SOEP erbringt sehr gute, international anerkannte Leistungen im Bereich des Datenmanagements sowie bei der Publikation von wissenschaftlichen Aufsätzen. Der Abteilung gelingt es mit großem Erfolg, die Sammlung, Aufbereitung und Pflege von Datensätzen mit der Untersuchung von interessanten Forschungsfragen zu verknüpfen und wissenschaftlich anerkannte Forschungsergebnisse vorzulegen. Allerdings bleibt die institutionelle Einbindung der Mitarbeiter des SOEP in das Institut bislang hinter dem Möglichen zurück und sollte daher verbessert werden.

¹ Ausführungsvereinbarung zur Rahmenvereinbarung Forschungsförderung über die gemeinsame Förderung von Einrichtungen der wissenschaftlichen Forschung (AV-FE)

Das DIW hat wesentliche Empfehlungen des Wissenschaftsrats aus dem Jahre 1998 umgesetzt: So wurde beispielsweise die Anzahl der Forschungsabteilungen reduziert und deren individuelle Forschungsprofile geschärft. Weiterhin wurde die Rolle des Präsidenten gestärkt.

Im Jahr 2000 wurde der jetzige Präsident an das Institut berufen. Er leitete einen Umstrukturierungsprozess ein und etablierte u. a. neue vielversprechende Management- und Arbeitsstrukturen. Dem Präsidenten ist es gelungen, erfolgreiche jüngere Wissenschaftler an das Institut zu berufen, so dass sich das DIW inzwischen zu einem dynamischen und Erfolg versprechenden Institut weiterentwickelt hat. Die Bewertungsgruppe ist der Ansicht, dass der Präsident innerhalb der kurzen Zeit seiner Amtsführung kaum mehr hätte erreichen können.

Das DIW verfügt über einen hohen Anteil an Drittmiteleinahmen. Gleichwohl empfiehlt die Bewertungsgruppe, die Drittmittelstrategie zu verändern, da ein Großteil der Mittel aus der Auftragsforschung stammt. Die Ergebnisse aus Auftragsprojekten finden nicht ausreichend Eingang in wissenschaftliche Publikationen und können zu einer Fragmentierung des Forschungsprogramms führen. Diese Gefahr ist besonders groß, wenn Dauerstellen nur durch die Auftragsforschung finanziell abgesichert werden können. Daher sollten die Anteile befristet beschäftigter wissenschaftlicher Mitarbeiter und wissenschaftlich begutachteter Drittmittel gesteigert werden.

Das DIW sollte sich bemühen, sein Forschungsprofil weiter zu schärfen und ein kohärentes Forschungsprogramm zu entwickeln. Um die internationale Sichtbarkeit zu erhöhen, wird dem DIW geraten, die Anzahl an Publikationen in referierten Zeitschriften weiter zu steigern. Hier besteht noch erheblicher Verbesserungsbedarf. Ebenso sollte die Nachwuchsförderung u. a. durch die Einführung eines strukturierten Doktorandenprogramms gemeinsam mit den kooperierenden Universitäten verbessert werden.

Eine Eingliederung des DIW in eine Universität wird nicht empfohlen. Das Institut kann seinem Arbeitsauftrag, der Kombination von angewandter Forschung und Politikberatung, nur in entsprechend vernetzten und betriebsförmig organisierten Strukturen gerecht werden.

Um die Anforderungen, die an Einrichtungen von überregionaler Bedeutung und gesamtstaatlichem wissenschaftspolitischen Interesse gestellt werden, in vollem Umfang erfüllen zu können, muss das Institut sein Alleinstellungsmerkmal entwickeln und die Forschungsergebnisse weiter steigern. Dabei ist allerdings zu berücksichtigen, dass Wirtschaftsforschungsinstitute zur Erfüllung ihres Beratungsauftrages Kompetenzen in einem breiten Themenfeld vorhalten müssen, um auf aktuelle Probleme der angewandten Wirtschaftsforschung und der Wirtschaftspolitik reagieren zu können. Eine Alleinstellung des DIW im Sinne einer ausschließlichen Beschränkung auf spezielle Forschungsthemen und Schwerpunktbildungen würde diesem umfassenden Beratungsauftrag nicht gerecht. Die Bewertungsgruppe ist der Ansicht, dass das DIW beide Ziele – forschungspolitische Schwerpunktsetzung und breite Beratungskompetenz – erreichen kann.

Der Senat geht davon aus, dass der Wissenschaftliche Beirat des DIW in seinen Audits die Umsetzung der Empfehlungen überprüft und dass das Institut in vier Jahren dem Senat der Leibniz-Gemeinschaft einen Bericht des Wissenschaftlichen Beirats über die Umsetzung der Empfehlungen vorlegt.

2. Zur Stellungnahme des DIW

Das DIW hat zum Bewertungsbericht Stellung genommen (Anlage C). Es begrüßt die positive Einschätzung der Bewertungsgruppe und teilt ebenso die von den Gutachtern geäußerte Kritik.

Sowohl die anerkennenden als auch die kritischen Anmerkungen deckten sich mit der Selbsteinschätzung des Instituts. Das DIW wird die Empfehlungen der Gutachter aufgreifen und ist überzeugt, dass sich die Forschungsleistungen mittelfristig noch erheblich steigern werden.

Der Senat begrüßt die positive Aufnahme der Empfehlungen der Bewertungsgruppe durch das DIW und den konstruktiven Umgang mit den Empfehlungen.

3. Förderempfehlung

Der Senat der Leibniz-Gemeinschaft empfiehlt Bund und Ländern, das DIW als Forschungseinrichtung auf der Grundlage der „Ausführungsvereinbarung Forschungseinrichtungen“ weiter zu fördern.

Annex A: Presentation

German Institute for Economic Research, Berlin DIW Berlin¹

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¹ This presentation, compiled by the Evaluation Office, is approved by DIW Berlin and the relevant Federal and State departments.

1. Development and Funding

DIW Berlin was originally founded in 1925 as Institute for Business Cycle Research and was later renamed in German Institute for Economic Research. Since 1977 DIW Berlin has been receiving institutional funding from the German Federal Government and the community of German Länder (States) at a ratio of 50:50. The Senate of Berlin, Department of Science, Research, and Culture is responsible for funding the institute. The Federal Ministry of Economics and Labor oversees the work of the Institute as funding representative of the Federal Government.

Until January 1, 2003, the German Socio-Economic Panel Study (SOEP) was supported with third party funds by the German Research Foundation (Deutsche Forschungsgemeinschaft). Following a decision by the Bund-Länder Commission for Educational Planning and Research Promotion it was then made a special department of DIW Berlin offering data-services. Due to its mission as a “service unit” the SOEP Department is differently funded than DIW Berlin: The Federal Ministry of Education and Research provides funds for two thirds of the SOEP’s budget, the German Länder provide funding for the remaining third of the budget.

The previous evaluation of DIW Berlin by the German Science Council took place in 1996/1997. Afterwards based on an evaluation report and a statement of the German Science Council and a common comment of the Senate of Berlin and the responsible Ministry the committee of the Bund-Länder Commission for Educational Planning and Research Promotion decided to continue funding the Institute.

2. Mission, Tasks, Main Work Areas and Scientific Environment

DIW Berlin is one of the six leading economic research institutes in Germany, and, as it claims in its report, the one most significantly engaged both in research and policy advice. As set forth in its statutes, DIW Berlin is exclusively and on a non-profit basis entrusted with two tasks of equal weight:

- (i) to scientifically examine economic processes in Germany and abroad,
- (ii) to provide timely policy-oriented contributions for the public.

The aim of DIW Berlin is to further enhance the reputation of its policy-oriented work while and through improving the quality and quantity of its research output for the academic community. In a mid-term perspective, DIW Berlin envisions itself as *the* leading German institute for applied economic research and policy advice, acknowledged by the international scientific community while its policy advice is being highly appreciated by policy makers, the business community and the general public. The service unit SOEP provides an important data basis for users within and outside DIW Berlin.

DIW Berlin states the key to the Institute’s future success in obtaining its high goals lies in the professional combination of research and policy-oriented activities. Hence, the structural and thematic changes since the last evaluation were designed to improve the joint production process of high quality applied economic research and policy-oriented output. Elements of this process are a solid base in modern economic and econometric research, openness for unorthodox thinking including multi-disciplinary research, a thorough understanding of institutions, the application of high methodological skills, state-of-the-art data analysis, the ability to identify the most urgent economic policy issues with the highest public need for scientifically underpinned advice and an extensive and intensive worldwide network of scientific partners

both in academia and policy consulting. A restructuring process which started after the last evaluation by the German Scientific Council in 1996 and which was reinforced by the new President when he assumed office in 2000 led to the following new structure of Research Departments which has been approved by the DIW Berlin Scientific Advisory Board and the Institute's Board of Trustees and has gained full support from the Institute's staff members. These changes have been accompanied by a stronger focus on the following fields: In terms of model building these focal areas are Macroeconometrics, Microeconometrics, Microsimulation and General equilibrium modeling. Modified research foci are attributed to the following departments:

- The research activities of the **Department of Macroanalysis and Forecasting** are devoted to the analysis of business cycles and macroeconomic policy implications. Policy advice based on the close scientific observation and forecasting of business cycles is a traditional field of DIW Berlin. The increasing integration of Europe has introduced institutional issues into the traditional field of macroeconomic monetary policy, e.g., the analysis of the governing board of the European Central Bank, the political process of the stability criteria and the analysis of coordinated fiscal policy to achieve economic convergence. The Department has kept its traditional focus on Keynesian economics.
- The **Department of International Economics** analyses the pattern of international trade and finance in an integrated world economy and the European integration of goods and factor markets including labor market repercussions due to increased factor mobility (outsourcing, migration). The analysis of globalization will continue to rank very high on the research and policy agenda of the Department. Micro data research is strengthened to analyze the behavior of heterogeneous firms and to evaluate the economic effects of trade and international integration on income, poverty and employment.
- The **Department of Public Economics** covers one of the core research areas of the Institute: the economic analysis of the state, specifically with regard to its activating role. This research area covers not only the important traditional fields of tax and social policy but also future-oriented public activities such as education, research and policies concerning the labor market. This research is based on tax-benefit microsimulation models. The analysis of decision making at the various levels of the government is another focus of the Department's research activities.
- The study of the information society and the new economy is the task of the **Department of Information Society and Competition**. The inventions of new technologies and their diffusion depend increasingly on coordinated networks of competitors. The analysis of these hybrid institutions and the identification of competition policy are the main research tasks of this Department. The global trend towards an information society affects production processes, the organization of entire value chains, the rule of the market game, as well as the role of consumers. The aim of the Department is to gain insight into how competition changes within those ICT-intense environments and to use this knowledge for a proper design of the institutional frameworks which govern competition in the market place.
- The study of the information society, the emergence of Information and Communication Technologies (ICT) and the markets of the new economy is the task of the **Department of Information Society and Competition**. The global trend towards an information society affects production processes, the organization of entire value chains, the rule of the market game, as well as the role of consumers.

The aim of the Department is to gain insight into how competition changes within those ICT-intense environments and to use this knowledge for a proper design of the institutional frameworks which govern competition in the market place.

- The **Department of Innovation, Manufacturing, Service** has taken up the task to investigate the development of the industry and the service sector, to implement new initiatives to collect micro firm-panel data and to use the appropriate micro-econometric techniques. The research agenda also covers topics such as the analysis of financial instruments for small and medium-sized enterprises, the analysis of innovation and regional clustering or the development of innovation indicators. The research can be summarized by the Department's key policy question: which factors drive and which policies stimulate firm productivity and its rate of growth (innovation)?
- The **Department of Energy, Transportation, Environment** focuses on two main economic challenges, namely on environmentally-friendly, sustainable development and on the regulation of infrastructure sectors. The main aim is to investigate energy, transport and environmental policies through modeling tools that are not only compatible within the national research landscape, but also with the modeling framework of international leading institutions. The research is based on institutional economics, econometrics, computable general equilibrium and integrated assessment analyses. Additionally, the international dimension of policy measures is accounted for by elaborated game theoretical modeling.
- The **Department of the German Socio-Economic Panel Study (SOEP)** conducts a wide-ranging representative longitudinal study of private households. It provides information on all household members, consisting of Germans living in the Old and New German States, Foreigners, and recent Immigrants to Germany. The SOEP data collection started in 1984. In 2003, there were more than 12,000 households, and nearly 24,000 persons sampled. The Department is divided into four subunits, three are service oriented and one is dedicated to research only. The research of the Department covers all research fields addressed in the SOEP questionnaire. The most important areas of research include economic and social inequality, labor economics, youth and family studies, political participation as well as survey statistics and statistical modeling. In 1994, the German Science Council recommended that the SOEP group which had been funded by the German Research Foundation since 1982 should in the future be financed as an independent unit with the functions of a service institution within DIW Berlin. The Bund-Laender Commission for Educational Planning and Research Promotion followed this recommendation and on January 1, 2003, the SOEP group was officially transformed into a Service Unit of the Leibniz Association and implemented within DIW Berlin.

At DIW Berlin, cross-departmental co-operation plays a pivotal role in establishing and maintaining work areas on an up-to-date level with regard to scientific methodology and policy relevance. These cross-departmental research activities take place within various forms of institutionalization, ranging from casual co-operation initiated by Department members (writing a joint paper, joining a commissioned research project), joint training sessions, joint seminars and workshops, establishing informal working groups, to the establishment of research groups with an elaborated research strategy for a limited time span depending on the policy relevance of the subject.

Currently, the following research groups each consisting of members of various Departments are set up:

- *International Industrial Economics* (analysis of the determinants and the effects of foreign direct investment and international outsourcing, partly based on SOEP-data)
- *Social Risk Management* (integrating fragments of social policy (labor market intervention, social insurance, income taxation) into a framework that includes societal strategies to deal with risk)
- *Labor Economics* (current focus on the analysis of the low wage sector)
- *Sustainable Development* (identification of pre-requisites for long-term resilience of social, economic and environmental systems)
- and *Financial Markets and Financial Institutions* (analysis of the structure of financial institutions and financial markets best suitable to foster innovation and growth)

Since the relocation of the Federal Government from Bonn to Berlin in the course of the German unification process, DIW Berlin has gained additional reputation as the key economic Research Institute operating from the capital of the country. DIW Berlin claims to have met those new demands in terms of public visibility and availability for the policy debate, as well as on the quality of its underlying basic research. DIW Berlin states the national perception of research results is very high. It is frequently visited by scientists and politicians from abroad as well and engaged in various international networks, which contribute to the visibility of DIW Berlin.

The **overall interest with regard to scientific policy** in the work carried out by DIW Berlin lies in the particular research approach linking scientific research and policy advice. Research and policy analysis, as conducted at DIW Berlin, is anticipatory and provides decision makers with research results based on up-to-date scientific methods and, hence, contributes to the influence and authority of arguments put forward by national policy makers in the international political arena.

DIW Berlin has established work areas with a well elaborated European and international focus combined with professional project management skills to attract important research project calls. It contributes to the European and worldwide awareness of Germany as an important location of policy relevant research. Policy reports and research results are well disseminated and, hence, recognized in the public. Many members of DIW Berlin are involved in international policy consulting by joining policy advisory boards and political workshops.

Regarding **national and international significance** DIW Berlin puts forward that national and international significance can be measured in terms of the scientific excellence and policy relevance of research results. But there is no standardized indicator system to measure institute's performance in terms of the policy relevance of its work. Thus, DIW Berlin has elaborated a system which covers measurable activities with a policy impact. The high scientific reputation DIW Berlin enjoys result from its close co-operation with universities (intensified through joint appointments), from its publications in top-ranking peer reviewed papers or lectures at prestigious conferences or from research assignments acquired from international calls. Moreover DIW Berlin states it is worldwide renowned for its provision of socio-economic panel data (SOEP). Increasingly, the international empirical research community relies on these data which can be proven by the rising number of empirical papers based on the data provided by DIW Berlin. Besides that, German media report

intensely about the policy analysis and advice of DIW Berlin. This can be understood as an indicator of social relevance of its research.

According to DIW Berlin, the **main national competitors** currently are the Institute for World Economics at Kiel, the Centre for European Economic Research (ZEW), Mannheim, – for its research activities – and the ifo-Institute in Munich – for its media presence. The IfW at Kiel has received appreciation for its research orientation, but has not attracted much funding through policy-oriented projects. In the last years, the ZEW at Mannheim has been recognized for its ability to hire doctoral students and to achieve visibility in the scientific community. Certainly, ZEW is the main competitor of DIW Berlin both in terms of the range of its research topics and the quality of research performance. The ifo-Institute has downsized its policy-oriented staff while keeping contact to research through a connection with the Center for Economic Studies, a research institution based at the University of Munich. National and international reference institutions concerning SOEP are the General Social Survey for Germany (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften, ALLBUS) and the British Household Panel Study.

The most important **international reference institutes** are the Centraal Planbureau (CPB), Den Haag, the Institute for Fiscal Studies (IfS), London, the Urban Institute (UI), Washington and the Brookings Institution, Washington. The CPB provides independent forecasts and analyses on a sound scientific level and of high relevance for Dutch policy makers. CPB is mainly part of the Dutch Ministry of Economics and acquires only a low portion of external funds. CPB has a monopoly position in the Netherlands. The IfS provides British policy makers with scientifically sound studies on fiscal policy, social policy and demographical analyses. The interfaces between DIW Berlin and IfS are many, both with regard to competition and collaboration. The Urban Institute and the Brookings Institution show some similarities in their structure or research topics with DIW Berlin. DIW Berlin is therefore currently engaged in exploring co-operation options with those two renowned research establishments.

With regard to the **Institute's future development** DIW Berlin states that it intends to build on the knowledge and experience it has accumulated in applied economic research on the German, European and the world economy. DIW Berlin envisages to become one of the respected scientific think tanks for applied economic research and policy advice worldwide within the next eight years. International policy makers addressing the challenges of globalization are stakeholders in the work of the Institute, including the German state and federal governments, the European Commission, the International Monetary Fund and the World Bank. DIW Berlin intends to continue attaching equal weight to publishing peer-reviewed papers and providing policy advice. These dual objectives set the Institute's work apart from the research undertaken by universities, public and private policy think tanks and information service providers.

This vision of DIW Berlin is laid down in the research strategy framework in which the Departments have developed their own visions and medium and long-run research programs. The overall aim is to preserve and further enhance the reputation of the Institute's policy-oriented work while improving quality and quantity of scientific research output.

DIW Berlin claims, that a major reason for conducting **economic research at non-university establishments** is the task to bridge the gap between science and policy – a challenge that requires a special profile of researchers and a well adapted institutional environment, which is characterized by organizational autonomy and flexibility. An independent research institute is

important to convey this culture to young researchers. The job market for policy-oriented researchers is partly different from the academic market for university careers and, hence, requires a specific training which best can be provided in the enterprise culture of a research unit close to the research market place. Other reasons are the kind of networking which has been established between DIW Berlin and local universities or the entrepreneurial culture emanating within research institutes or facilities like the implementation of a Service Department for Information and Organization which is run by professionals who support researchers to acquire funding for their research projects and expose their research findings to the public.

3. Structural Features und Organization

DIW Berlin is a nonpartisan establishment. The Institute has the following legal bodies: The **Board of Trustees** consists of three representatives of the responsible Federal Ministries of the Federal Government and of three representatives of the responsible Ministries of the State of Berlin, the chairperson of the Scientific Advisory Council, the chairperson of the Friends of DIW Berlin, two university professors from the Faculty of Economics of the Berlin universities and up to five other members. The Board of Trustees advises the Institute in and approves basic matters (e.g., the Research Program, budget, contracts of appointment with the Heads of Departments). In 1999 the **Executive Board** was created consisting of the President, a Vice-President and a Managing Director. The Executive Board led by the President is empowered to make final decisions on all important issues and to set out the strategic, organizational and academic direction of the Institute. In addition an Executive Assistant to the Executive Board and an Academic Assistant to the President were introduced. The **President** deals with all external relationships including policy advice and the media contact, and leads new general initiatives at the Institute. The **Managing Board**, a committee consisting of the Executive Board and the Department Heads is the core body of DIW Berlin. The Managing Board meets on a monthly basis and prepares and discusses all major decisions of DIW Berlin. In addition the institute has a **Work Council**.

The **Scientific Advisory Board** advises the Institute on scientific matters. It assesses the research work and reports its findings to the Institute's Board of Trustees. The Scientific Advisory Board's main objectives are to support the Institute in its long-term research and development planning, to advise in an ongoing intense dialogue, and to evaluate its performance concerning research, policy advice and service on an annual basis. Another main task of the Scientific Advisory Board is to participate in hiring processes at the level of the Heads of Department and the Executive Board. It consists of 12 internationally respected and active research scientists who have expertise in at least one of the research areas of the Institute. The term of office is three to five years; one re-election for four years is possible. The Scientific Advisory Board convenes at least once a year.

The **User Committee of the SOEP** has been created recently in response to the final budgetary institutionalization of the SOEP group in DIW Berlin and the formal establishment of the group as a Department. It replaces the Advisory Board the SOEP group had had for 20 years. The User Committee has the task of advising DIW Berlin and the management of the SOEP Department in the planning and development of the service and research tasks. It reports to the Scientific Advisory Board of DIW Berlin, which evaluates all of the SOEP's work. The User Committee comprises up to nine active and internationally recognized scientists. The Board of Trustees appoints members of the User Committee according to the recommendations made by the Scientific Advisory Board and the Executive Board of DIW

Berlin for a duration of three years. One immediate reappointment may be made. The User Committee elects a Chairperson and a Deputy Chairperson from among the members of the Board. The User Committee should convene at least once a year.

To support Department Heads and Project Managers in their organizational tasks, one incremental part of an internal accounting system, *cost accounting* has been implemented in a fully working version since January 2003. Further improvements have been achieved by developing a new financial reporting system for planning and steering purposes at all levels of decision-making.

The *internal distribution system* of core funding was changed in 2002 to increase the responsibility of the Department Heads and has been approved by the Scientific Advisory Board. Each Department receives a fixed share of the core funding. Further, an incentive scheme was implemented, rewarding both basic research and policy-oriented work. This has been a first step to introducing general performance indicators to measure the output of each Department and of the Institute in general. The Yearly Planning Session of all Department Heads and the Executive Board has become the forum to discuss the academic development and the policy-oriented work plans of each Department and to set out the performance goals of the upcoming year.

To date the **planning and evaluation of the output** has become a key issue on Institute level. This constitutes the combination of both bottom-up (concerning input and research program) and top-down (concerning output and coherence) approach in the administration. The Departments have received a much larger autonomy and responsibility concerning their individual scientific and financial development. This concerns (i) the development of the detailed research programs of each Department, (ii) the hiring of staff members, and (iii) the acquisition of funds beyond the allocation of core funding to the divisions. The role of the Executive Board is to steer and manage the general processes and to ensure the suitability and the quality of the research and financial programs of the Institute for the accomplishment of its statutory assignments. Research policy issues and quality management are now the field of responsibility of the Vice-President.

The **quality management** is the joint responsibility of the Executive Board and all Department Heads. Therefore, quality control issues are regularly discussed at the monthly joint meeting of the Managing Board. Quality Management takes place in all relevant areas spanning from the production processes of research findings to the public relation activities. The Institute monitors the quality of its publications and the satisfaction of its customers systematically. The success of the products shall be constantly evaluated through a performance indicator system. These activities are coordinated and supervised by the Service Department of Information and Organization. Quality management concentrates even on supporting staff members with defining their personal goals and linking them to the Institute's overall goals. This human resource management will embrace among others Development and Objective Dialogue or the application of criteria for tenure positions. Other forms of quality managements will be the *internal scientific exchange*, the *referee process for scientific output*, *internal prizes for outstanding performance*, *customer opinion polls*, *user surveys*, or controlling tools set up by the *finance and controlling sections within the Service Department of Management Services*.

Regarding **equality between men and women** the Institute states it strives to increase the number of qualified female researchers and to enable them to take up leadership positions in the Institute. The following general instruments have been introduced to enable men and

women to combine their family life with a career at DIW Berlin: *Part-time work, sabbaticals, e-working, a separate paragraph in job offers explicitly stating that female employees are favored for positions, given the same qualifications.*

One female candidate was hired in 2004 for higher management positions, in 2003 three female academics were hired for non-scientific jobs. Currently three female staff members are in top management and research positions: The Managing Director, the Head of a Department and the Head of a Service Department. All three women are members of the Managing Board. Altogether, female employees in higher academic and management positions account for 27.3 % of the staff at that level. In addition, almost half of the scientists (46.2 %) at the beginning of their academic career at DIW Berlin are women, only at the higher levels there is still a lack of female researchers in total.

4. Resources and Personnel

In 2003 the Institute's annual **budget** amounted to a total of 18.8 M€ (see Appendix 2). The institutional support in 2003 totaled 11.7 M€ (62 %). The rise in institutional funding in 2003 is due to the integration of the SOEP group into the DIW Berlin. The proportion of third-party funding in relation to total financial resources reached 38 % in 2003. The most important third-party funds sources are the Federal Government, the Senate of Berlin and the industry. In 2001 and 2002, DIW Berlin received 2.2 M€ and 2.5 M€ respectively of funding from the German Research Foundation (DFG) for the SOEP group. In 2003, DFG-funding was significantly reduced due to the integration of the SOEP group as a research department equipped with its own budget. During that time period EU-funding and other research foundation funding together accounted to about 18 % of the third party resources.

The Institute considers the **electronic work environment** to be excellent and up to date. DIW Berlin has become increasingly interconnected within the scientific community which has led to constantly growing communication needs. In addition, DIW Berlin places strong emphasis on disseminating its research findings through all available channels, including timely media such as downloads and electronic newsletters. Starting in 2000, DIW Berlin has made strong efforts to substantially improve the Information Technology (IT) or Electronic Data Processing (EDP) potentials of the Institute through a significant amount of investment into new hardware and software, and through the hiring of additional qualified staff. On an ongoing basis, the IT strategy is being reviewed and discussed by the Institute's IT Board and presented to the Executive Board. In 2003, the international IT consultancy THALES has re-evaluated the Service Department of Information Technology very favorably on topics like processes, internal department organization, financial and human resources, general infrastructure and quality assurance measures. According to THALES, there is an optimal balance between tasks, manpower and budget.

The Service Department of Information Technology provides IT services including Groupware, Database Services, Web tools, Word and spreadsheet-processing, Customer Relationship Management, *Compute Services (STATA, SAS), Library Services, Enterprise Resource Planning and Mobile computing.* The underlying IT infrastructure (cabling system and active components, server, client systems) needs to meet the highest standards to ensure the permanent and full availability of the above listed services.

For the last five years, the Service Department of Information Technology has also been very successful in obtaining significant third-party funding. Examples of recent externally funded

projects include the IT Department's role as initiator of the STATLINK project to improve the access to statistical information for universities and schools (Federal Ministry of Education and Research); as consortium leader of the IRAIA-project (European Commission, 2000-2002), and as manager of the PUSH-project (*Stiftung Deutsche Klassenlotterie Berlin*, 2001-2003) offering new information services to the scientific community and the public.

In 2003, almost 11.6 M€ were provided for **personnel** expenses. The Institute had 215 employees (see Appendix 6). Among these were 99 positions for academic and higher management staff and 26 staff members working on dissertation projects. Excluding doctoral candidates 86 % of the academic staff were paid according to BAT Ib or higher. Around 52.5 % of the total number of academic staff were financed by institutional resources. 36.4 % of the academic personnel were employed on temporary contracts. In 2003, approximately 28 % of the academic staff were younger than 40, 27% were aged 40 - 49, and 44 % were 50 and older. Approximately 26 % have worked at the establishment for less than five years and 34 % have worked there for more than 20 years.

A key issue of personnel recruitment over the last five years has been the *appointment of Department Heads*. The new Department Heads were chosen in co-operation with universities (especially) in Berlin and Brandenburg for (renewable) temporary contract periods of five years (joint appointments). The scientific excellence of the Department Heads is considered as one of the key elements to position DIW Berlin as an international center of excellence for applied research and policy advice, thus attracting both experienced and up-and-coming academics to the Institute. Typically, a vacancy is advertised in the national newspaper *Die ZEIT*, in international media (e.g. *The Economist*) and in the internet at *JOE (Job openings for Economists)* and *Inomics Job Openings*. The hiring process follows university-type procedures, either in direct or in indirect collaboration with universities. If a hiring committee is initially appointed at the level of the Institute, its majority consists of professors from other institutions, mainly universities. Otherwise, joint hiring committees of DIW Berlin with a particular university are appointed and work according to the respective academic rules. Eventually, all joint appointments have to be backed by a university and its procedures and by the DIW Berlin Board of Trustees. Individuals chosen as Department Heads either are already university professors or they receive this status with the appointment.

Doctoral candidates are paid according to the rules prevailing in Germany's public sector in general (normally BAT IIa). They are employed on a temporary basis and often work part time.

DIW Berlin currently employs ten international scientific or higher management staff members. Other foreign researchers are working on a long-term basis as "permanent visiting fellows" for the Institute.

The vast majority of the new employees of the Institute are university graduates in the field of economics with no previous professional experience; several graduates were recruited from the Institute's Advanced Studies Program. Despite the limits set by the German pay scale and the strong competition from the private sector and financial institutions, the human resources strategy applied by DIW Berlin has led to impressive recruiting results especially with regard to up-and-coming academics.

5. Promotion of Up-and-coming Academics and Cooperation

In the previous three years, nine **up-and-coming academics** have completed their dissertation theses. At the same time three habilitation theses (postdoctoral theses) were completed. At present, about one-quarter of all researchers are working on their dissertation thesis and three on their habilitation thesis.

In 2002, a Ph.D. student's seminar involving all Departments was established. It takes place three times a year in seminar facilities outside of Berlin. External experts are invited to comment on the methodology applied and the policy implications. All Ph.D. students are assigned to a supervisor and to a Research Department. Currently, a doctoral program is organized within a network between DIW Berlin and the universities. It creates research conditions for doctoral candidates at DIW Berlin that are tailored primarily towards a career in the European and international research area. A doctoral weekend seminar is arranged at regular intervals. Currently, the doctoral program suffers from a lack of in-house course offers due to budgetary constraints. To overcome this obstacle, DIW Berlin has submitted an Early-Stage-Training-Project to the European Commission. Within this general Ph.D. program, three doctoral scholarships were awarded in the first half of 2003.

The existing sabbatical program shall allow Ph.D. students or experienced staff members to apply for a leave of absence to complete their Ph.D. degree respectively their post-doctoral studies. Furthermore, beginning in 2004 DIW Berlin has started to invite distinguished scientists to conduct weekend and summer school seminars for all scientific staff members. Those courses are also open to selected researchers or Ph.D. students from the universities of Berlin and Brandenburg. To support the knowledge transfer inside DIW Berlin and with other academic institutions, the Research Seminar of the Institute has been revamped and each week during the university semester a guest speaker or an internal researcher provides a seminar on current research issues. Additionally, a brown bag seminar has been established which primarily deals with theoretical modeling.

For *diploma students*, DIW Berlin provides two training options: internships or, alternatively, the paid position of a student assistant, both located mainly in the Research Departments. The internship is conceived as on-the-job training introducing the candidates to various aspects of research project work. As assistants, students are provided with the opportunity to deepen their theoretical knowledge about scientific methods and quantitative tools acquired at universities. They are generally exposed to a range of projects and get insights into managerial methods of resolution for scientific tasks on many levels.

DIW Berlin has strengthened its contacts to schools. This is a result of the project [DIW@school](#) on the one hand, which has led to an increased communication with schools in Berlin, and internship options for pupils and the many receptions of classes by the Institute on the other hand. DIW Berlin offers three positions for apprentices from vocational schools.

Visiting Fellows are post-docs or senior researchers, who spend three months to three years at the Institute conducting their own research. Senior researchers who come as Visiting Fellows are as a rule employed at other academic institutions, spending a sabbatical at DIW Berlin. The advertisement of these scholarships is aimed at attracting highly qualified graduates internationally. The concept of inviting visiting fellows belongs to the backbone of the recruitment strategy.

Regarding **co-operation** the Institute states that engaging actively in bilateral and multilateral scientific networks is an important part of the strategy to improve the quality of academic research at DIW Berlin. The activities within these networks range from individual research co-operation, e.g. writing joint articles, to institutionalized networking to acquire third-party funds at the European level.

DIW Berlin states it is engaged in 176 co-operations with universities, colleges and other (research) establishments both on a national and international level. The Institute co-operates with 31 national universities, specifically with universities of Berlin and Brandenburg. DIW Berlin has concluded agreements with the FU Berlin, the HU Berlin, the TU Berlin, the European University Viadrina at Frankfurt (Oder), and the University of Potsdam. Six joint appointments have been executed during the last four years. Furthermore, DIW Berlin is very well connected with other research institutes in Germany (28 altogether), like the Institute for the Study of Labor (*Forschungsinstitut zur Zukunft der Arbeit, IZA*) in Bonn, headed by the DIW Berlin President, Prof. Zimmermann, the Kiel Institute for World Economics (*Institut für Weltwirtschaft, IfW*), and the Max-Planck Institute for Human Development (Berlin). Long-term relationships have been established with e.g. the KfW Group (*Kreditanstalt für Wiederaufbau*) and the Federal Statistical Office Germany (*Statistisches Bundesamt*), too. DIW Berlin plays an important role within the Association of Institutes for Economic Research (*Arbeitsgemeinschaft deutscher wirtschaftswissenschaftlicher Forschungsinstitute, ARGE*). The main goal of the Association is the discussion of research output with a particular impact for policymaking, the dissemination of economic policy reports and the internal information flow among the member institutes. Twice a year, ARGE-member institutes present their joint report on "The State of the World Economy and the German Economy".

Additionally to its institutional links, DIW Berlin has expanded its network among researchers. A number of academics from Germany and abroad have been appointed Research Professors (currently 38) or Research Affiliates (currently 14) at DIW Berlin. These professors and affiliates retain their professional centers of gravity at their home institutions and in that way provide links to various academic research communities and open up these communities to DIW Berlin staff members.

A particular role is assigned to Research Directors. Research Directors have the responsibility to develop and coordinate interdepartmental research programs, teaching or educational activities and policy-oriented work. Currently, there are four Research Directors, two from DIW Berlin, one from the FU Berlin and one from the University of Nottingham.

Through its participation in the interdisciplinary research network Forum for Scientific Research Berlin-Brandenburg (*Wirtschaftswissenschaftliches Forum Berlin-Brandenburg*), DIW Berlin is in on-going co-operation with all research institutions in the area of social sciences in Berlin and Brandenburg. On a regular basis, the network organizes discussion meetings of the researchers of the participating institutions with an important guest speaker from academia or public life. There are also strong contacts with the Institute for Advanced Study (*Wissenschaftskolleg zu Berlin*). Further joint events will result from these contacts in the near future.

There are 55 co-operations with universities and colleges on an international level, including the London School of Economics and Political Science, the Università Bocconi, the University of Vienna, and the University of Zuerich. Strong connections exist between DIW Berlin and 84 international research centers such as the Centraal Planbureau in the Netherlands, the Institute for Fiscal Studies, London, or the Luxembourg Income Study.

Beyond bilateral links, DIW Berlin is – as founding member – also embedded in the European Network of Economic Policy Research Institutes (ENEPRI) and EUROFRAME. There are 22 co-operations with international business establishments (e.g. Banco de Espana and Banque de France) and eight co-operations with other institutions such as the Association of European Conjuncture Institutes (AIECE), the Statistical Office of the European Commission (EUROSTAT) or the European Central Bank.

The activities of the DIW Berlin on a European Union level have become much broader and more intense compared to the situation in 1996. Contracting bodies are –among others– the European Commission Directorates for General Research, for Employment and Social Affairs, for Energy and Transport and for Information Society. Other European entities that have contracted current research projects with DIW Berlin are European Commission's EUROSTAT and the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND).

In the period 2001–2003, DIW Berlin had welcomed 69 guest researches. About 70 per cent of the **visitors** came from abroad, half of them from Western European countries. 31 visited DIW Berlin for less than one month, 20 stayed for a period of one to three months and 18 conducted their research at DIW Berlin for more than three months. One third of them came from the USA/Canada or Australia, 14 came from Germany and 13 from EU-countries.

In addition to the current five young high potential researchers sponsored for their first year of research through the new DIW Berlin scholarship program while looking for external long-term funding, five international scholarship holders with external grants from the DAAD (2), the Carl-Duisburg-Gesellschaft (1), the German State of Lower Saxony (1) and the Study Foundation of the Berlin House of Representatives (*Studienstiftung des Abgeordnetenhauses von Berlin*) (1) successfully conducted research at DIW Berlin in the past three years.

On the other hand 38 academic staff members of the Institute visited other establishments, about 50 % of the guest visits lasted less than one month. Two thirds of these short-term visits were to European institutions, one third to Non-European institutions. Most of the long-term stays were to Non-European research establishments. It is an important part of the Institute's human resources strategy to encourage its staff members to visit other research establishments in order to enhance their knowledge in their respective work field.

During the last seven years, 14 academic members of the Institute's staff were offered a professorship, one of them declined the offer.

6. Results – Research, Development and Services

DIW Berlin offers to the public a broad range of **data collections** that are being distributed on CD-Rom or via the internet including: population forecasts, comparative branch data for East and West Germany, data on branch productivity in West Germany and in the whole of Germany, data on the utilization of capacity, data of the structure of the construction volume in Germany, the DIW Berlin Economic Barometer (*DIW Berlin Konjunkturbarometer*), and the time series service. In addition, DIW Berlin offers access to Statfinder, an online tool allowing for inquiries for selected statistical economic data banks e.g. with regard to the national accounting. One data set of great interest to the public is the annually published report on transportation figures ("Verkehr in Zahlen") compiled by DIW Berlin as commission work for the Federal Ministry of Transport, Building and Housing. In addition, DIW Berlin distributes

the data set concerning the indicator "Quarterly National Accounting", developed exclusively at DIW Berlin as the basis for all business cycle analyses and forecasts.

The data provided by the **SOEP** Department are distributed both as raw data and in SPSS, SAS, STATA and ASCII format with extensive working files on CD-ROM. "SOEPinfo" is a data based information system free of charge which ensures an efficient handling of the complex data sources of the SOEP. It also contains all variables asked in the SOEP set up in longitudinal format (item-correspondence). "SOEPinfo" is accompanied by the "Desktop Companion", a detailed documentation of data and of the most frequently used statistical software packages. "SOEPlit" is a free data based information system that includes proceedings of DIW Berlin as well as external publications based on SOEP-data. Furthermore, several services are also offered by the SOEP Department like E-mail-Hotline or User Conference. All services of the SOEP and the publications of the SOEP are offered both in German and English languages.

The SOEP Department is considerably involved in expert activities, policy-specific consultation and information transfer. SOEP results are the basis of various national reports like Report of the German Council on Immigration and Integration or Poverty and Wealth Report of the German Government. Every second Data Report which is edited by Statistics Germany and the Centre for Surveys, Methods and Analyses (ZUMA) at Mannheim, has been based mainly on SOEP data. Even the OECD relies on the SOEP data. In general the number and the structure of publications based on SOEP data are main indicators of the SOEP Department's success in complying with its tasks as a service provider. In the last three years around approximately 780 publications based on the SOEP data have evolved. Figures filed by DIW Berlin show that in comparison to publications based on ALLBUS (a German cross sectional data set) or BHPS (the British Household Panel Study) SOEP based publications outnumber the other data bases.

Since 1983, 1,280 users have signed contracts with the SOEP Department, of which 943 (74 %) are especially actively using the data base. 427 contracts are signed with foreign researchers (45 %). In terms of the SOEP user potential in Germany the SOEP Department managed to reach all national universities and 22 universities of applied science (out of 120). Worldwide, the SOEP has reached institutions in 28 countries. The SOEP Department keeps track of the number of hits on its homepage, which is an indicator of the active use of the SOEP data. From April 2003 to April 2004 altogether 625,267 hits (by 22,969 visitors) have been counted from outside users on the SOEP homepage which averages 52,100 hits per month. Additionally, the SOEP Department answers direct questions of its users. From February to April 2004, about 300 user requests have been processed by the SOEP staff via phone call or e-mail.

The **library's** collection is open to internal and external researchers and the general public. Currently, the collection consists of approximately 130,000 volumes growing with a rate of about 2,400 volumes per year. In addition, the library also holds about 540 current national and international journals. The library stock can be searched by its Intranet OPAC. The library aims at simplifying the order process for the Institute's publications.

While most of DIW Berlin publications can be downloaded for free at <http://www.diw.de/english/produkte/publikationen/index.html>, publications of DIW Berlin staff members with external publishers can only be downloaded partly (content and abstracts) for

free but have to be ordered in hard copy from the publishing house of Duncker & Humblot – links and order forms are provided on the DIW Berlin website.

DIW Berlin has designed its **publication activities** in a way that allows for reaching all relevant public groups such as policy makers, public administrators, decision makers from the private sector, and the general public interested in economic issues on a less in-depth level. It is partly owed to its elaborate publication concept tailored to the needs of the respective target groups, that DIW Berlin is publicly visible in terms of its research findings and policy advice. All publications are undergoing an intensive quality control management of by internal and external processes of editorial offices to guarantee the scientific quality. The range of publications of DIW Berlin covers formats from easy to understand articles to complex analyses with tight references to research methods. Target groups of the respective information instruments are the following: In the case of Discussion Papers, Research Notes and Applied Economics Quarterly the target group is the international scientific community; in the case of Research Reports, Weekly Report or Economic Bulletin the target group is comprised of scientists, policy makers, members of the business community, the public administration and the general public. Teachers, students and pupils are the readers of [DIW@school](#).

The *Weekly Report (Wochenbericht)* contains condensed and easily accessible information on current economic policy issues on which the Departments of DIW Berlin have conducted research. The circulation of the Weekly Report amounts to nearly 2,000 copies. 800 of which are distributed in hard-copy to paying subscribers. According to DIW Berlin defined performance indicators which allows for ranking the Institute's publications with regard to their public acceptance, the Weekly Report is the most successful publication of DIW Berlin.

The *Economic Bulletin* addresses an international public. It is published monthly and comprises of three articles first published in the Weekly Report (translated into English) and an editorial of the President, the Vice-President or a Head of Department covering topical economic issues. The Economic Bulletin targets at researchers, policy experts and executives in the business community and in international organizations. The Economic Bulletin has 111 subscribers and is the publication that attracts the largest number of internet visitors to DIW's homepage, where one article and the editorial can be downloaded for free.

The *Quarterly Journal of Economic Research (Vierteljahreshefte zur Wirtschaftsforschung)* has been published on a quarterly basis by DIW Berlin since 1927. The journal contains contributions on current economic policy issues and empirical work at a scientific level. It is oriented towards the scientific community as well as decision makers in politics and the business community. So called "*Schwerpunkthefte*", i.e. Focal Point Editions, of the Quarterly Journal of Economic Research focusing on one single economic issue.

The *Applied Economics Quarterly* is an international journal in English language on a high scientific level. All areas of empirical economics are covered. The journal's goal is to contribute to current policy debates and to enhance economic policy-making by providing a forum for innovative and rigorous empirical research. An external referee process ensures a high standard of the articles published. The Applied Economics Quarterly was founded 1952 under the title of "Konjunkturpolitik".

Since July 2004, opinion statements of the Institute are published in *DIW Berlin: Politikberatung kompakt*. The periodical is assigned an ISSN number. Copies can be downloaded for free as PDF-documents from the Institute's homepage. The new periodical replaces the collection of experts' opinions and the so called *Special Editions (Sonderhefte)*.

The *Discussion Papers (Diskussionspapiere)*, predominately written in English, are the classical instrument to disseminate research findings in the international scientific community. The publication comprises contributions that are to be submitted to scientific journals. The quality of submissions is controlled by the Vice-President with the help of in-house referees. The Discussion Papers are offered for free as PDF-documents at the website of DIW Berlin.

DIW@school is an online publication of DIW Berlin that is offered to schools free of charge.

The periodical *Special Editions (Sonderhefte)* were sporadically published as a hard-cover version. It contained economic research results of DIW Berlin, sometimes also dissertations by members of DIW Berlin staff. Most of the researchers preferred the publication of their work by scientific editing houses. As a result, the Special Editions will be discontinued in 2004.

DIW Berlin transfers its **policy expertise** to the public in a variety of ways: through publications, data bases, research projects carried out for national and state Ministries, the European Union and other national and international organizations as well as expert activities in the legislative process, and on the occasion of group visits to DIW Berlin. On average, DIW Berlin experts give lectures at approximately 100 events like the meeting of a political party, the gathering of a lobby group or an association of members of the business community (e.g. Chambers of Commerce). Researchers of DIW Berlin are invited regularly to release statements for the legislature and the judiciary. The Service Department of Information and Organization handles about 60 inquiries per month, in addition, there are approximately 200 inquiries by journalists per month. Every year, DIW Berlin welcomes around 20 visitor groups. After the visit, the Institute's guests are asked to complete a questionnaire about their satisfaction with the information offered.

Knowledge transfer takes also place by utilizing the means of various international, national, and regional networks. E.g. on a regional level, DIW Berlin is a member of the Research Network Economic Sciences. The Economics Departments of all universities in Berlin and Brandenburg as well as all Research Institutes with an economic or social-science focus are involved in the Research Network Economic Sciences. Three lectures took place during the last three years.

It is the claim of DIW Berlin to keep up and enhance its relations with all its **target groups**. For the dissemination of research results classical public relations instruments are being applied, like press work, online marketing and direct marketing as well as newsletters. The electronic biweekly DIW-Newsletter comprises information for all of the Institute's target groups on new publications; the monthly electronic Newsletter – in German or English language – provides information, such as news about staff members, events, calls for papers, employment opportunities, press coverage, etc. On the website the all comprehensive Newsletter is also available as a PDF-document. It is presently dispatched to approximately 4,000 customers. Up to 200 new readers per month subscribe to the DIW-Newsletter. Members of the business community, who joined the Society of Friends of DIW Berlin (*Vereinigung der Freunde des DIW Berlin, VdF*) receive an additional Newsletter with information about events and publications especially relevant to them. Indirectly, the general public is addressed via the press and other media. In 2003, 53 editorials written by scientific staff members of DIW Berlin were released in daily and weekly press media. The success of the Institute's staff in the press is documented in the internal press clipping service (press appearances amounted to more than 8,500 in 2003 only).

To measure the **customers' and users' satisfaction** with the services provided, all statistical material available about the target groups is being analyzed. The analysis of the response to the products offered at the Institute's homepage generates approximately 80,000 clicks by external users per month. Every visitor averages five further clicks on DIW Berlin sites. In 2003, a domain for statistics was implemented within the intranet, which allows for the monitoring of the web-access to the individual publications. A web indicator has been set up composed of three elements: number of visits, amount of accessed files and number of hits.

DIW Berlin places strong emphasis on organizing and participating in **conferences**. During the report period 13 conferences and 12 workshops took place. In 2004 DIW Berlin hosted the 24th Annual Conference of the European Public Choice Society and organized the 31st conference of the European Association for Research in Industrial Economics.

The **DIW Berlin Seminar** is held weekly and aims at discussing current academic research findings among economists and social scientists from the Berlin universities and research institutions. Since 2001, a good 90 presentations have taken place. In addition, internationally renowned researchers present their current research at the Institute. From June 2001 on, 62 **lectures** have been held.

Aiming at a mainly non-academic audience, in 2001 the **Berlin Lunchtime Meetings** were established as a forum for debate and discussion among researchers, policy makers and the private sector. Leading European and international researchers address current policy issues to a predominantly non-academic audience. The seminar series was implemented in co-operation with the Institute for the Study of Labor (IZA), Bonn, the Center of Economic Policy Research (CEPR), London, and the Anglo-German Foundation, London. 25 Berlin Lunchtime Meetings have been held.

DIW Berlin staff members hold various national and international **offices** and functions: Many staff members are members of committees of the German Economic Association. The Institute's President has been Chairman of the 2003 Review Committee for the CPB Netherlands Bureau for Economic Policy Analysis. One Department Head is a member of the German Science Council and a member of the Council of Experts in Immigration and Integration; he was elected peer reviewer for economic and social policy at the German Research Foundation and a member of the Federal Commission on the Financial Sustainability of Social Insurance Systems. The memberships in elected expert commissions are an important channel of DIW Berlin for its research based policy advice. Therefore, several staff members engage in expert panels. Several members of DIW Berlin have acted as referees for international journals, e.g. the European Economic Review, Journal of Economic Theory, Journal of Economics, Journal of Institutional and Theoretical Economics, Energy Policy, and many others. Additionally, several researchers are members of Editorial Boards or are active editors (e.g. Journal of Population Economics, Journal of the German Statistical Society, Quarterly Journal of Economic Research, Applied Economics Quarterly).

One staff member was awarded for a book with the Wolfgang-Ritter-**Prize** in 2003.

7. Realization of German Science Council's recommendations

a) *DIW Berlin should devote greater attention to the theoretical basis of its work. In relation to contractual research, basic competence should be strengthened both in terms of personnel and financing.*

Following measures for strengthening the scientific quality of the Institute's policy advice have been taken among others: Young high potential researchers have been hired. Five out of seven Heads of Department, the President and the Vice-President are now jointly appointed with universities in the Berlin-Brandenburg region. The international scientific network has been vastly expanded. Research Professors co-operate closely with DIW Berlin.

b) *In proportion to the size of the staff, there are not enough publications in external, reviewed journals. External experts should participate in the editorial conference assessing contributions to the DIW Berlins own "Quarterly Journals of Economic Research" (Vierteljahreshefte zur Wirtschaftsforschung)."*

The efforts taken have already born fruit which is demonstrated by a huge increase of the scientific output (publications, paper presentations at international congresses, discussion papers etc). The editorial board of the DIW Berlin Quarterly Journal of Economic Research consists of external scientists who peer-review all articles published.

c) *DIW Berlin should make a greater effort to obtain third-party funding for research on a competitive basis. Topics proposed should be related to the Institute's scientific focus areas. Staff should be given incentives to raise third-party funding.*

The portion of research projects subject to a referee process has been increased. Comparing the numbers of the two periods under report (1993 –1995 and 2001 –2003) it is observable that the DFG grants have decreased from 213 T€ to 13 T€, whereas the EU grants have remarkably increased from 537 T€ to 3758 T€ (excluding the funding of the SOEP). With respect to this year 2004 even the DFG funds are rising.

d) *Existing collaboration with Berlin institutions of higher education should be extended. opportunities for collaborating outside the teaching field are barely used. This is particularly true of participation in research training groups ("Graduiertenkollegs") and collaborative research centres ("Sonderforschungsbereiche"). Additionally, the appointment of the President and the Heads of Departments should be decided by a joint commission of the Institute and the University, respectively.*

The collaboration between DIW Berlin and Berlin institutions of higher education has been considerably extended, as mentioned above.

Contracts about co-operative activities with the Berlin-Brandenburg universities were signed. Lots of DIW Berlin staff members engage intensely in teaching at Berlin-Brandenburg universities. In addition, five out of seven Heads of Departments now hold professorships at Berlin-Brandenburg universities after a joint recruitment process with the respective universities. There are joint research projects in cooperation with various universities or other research establishments, e.g. a joint research project between FU Berlin, DIW Berlin and other research institutes financed by the Federal Ministry of Education and Research. A conference series is financed by the European Commission and jointly organized by TU Berlin and DIW Berlin. The Institute also participates in the collaborative research centre No. 373, Quantification and Simulation of Economic Processes, at Humboldt University. Together with other universities and research institutes in Berlin and Brandenburg, DIW Berlin has

organized international conferences. Recently, the Berlin Network of Labor Market Researchers (BeNA) was founded to promote the training of Ph.D. students in this research field. Member institutions of the BeNA are research institutes and universities of Berlin and Brandenburg.

e) There is no clear division of tasks between the Board of Trustees and the Institute's Executive Board. This prevents the Board of Trustees from carrying out its control function satisfactorily. Thought should be given to involving the Staff Council in the Board of Trustees.

The new Statutes of DIW Berlin clearly define the tasks and responsibilities of both institutional bodies (see § 6 and § 7 of the Statutes). The Executive Board consists of the President, the Vice-President and the Managing Director. It is responsible for all executive issues, while the Board of Trustees is a pure control body of the Institute. The President conducts the current business, the Managing Director is responsible for all the administrative affairs of the Institute. For instance, the Board of Trustees approves the basic outline of the Institute's research program, its business plan, its annual financial statements, its rules of procedure.

f) The College of Departmental Heads (Kollegium der Abteilungsleiter) has a comparatively large number of participatory rights in research planning and budgetary matters. The President's role in scientific leadership must be strengthened by relevant stipulations in the Statutes.

The position of the Executive Board vis a vis the College of Heads of Department have been significantly strengthened through the redefinition of the responsibilities in the new procedural rules of DIW Berlin. The Executive Board is responsible for the day-to-day matters of the Institute. The Executive Board and the Heads of Department which together form the Managing Board are jointly responsible for the scientific development of the Institute. It convenes on a regular basis with the goal to reach common decisions. In all scientific and legal issues the President has the final decision authority, though.

g) The nine departments should be restructured and reduced in number to four or five. Departments of no particular academic or economic-political interest should be dissolved and integrated in other departments with a more clearly-defined focus.

The number of Departments has been reduced from nine to six (excluding the SOEP Department, established in 2003). The extensive work load the new Heads of Department are facing (supervising of personnel, focusing the Departments research areas, combining scientific research with policy advice, teaching at the universities, conducting his or her own research) suggests not to exceed a certain departmental size. Moreover, the Departments present themselves clearly arranged which alleviates networking. The restructuring was approved both by the Scientific Advisory Board and by the Board of Trustees.

h) Heads of department should be recruited according to professorial appointment procedure involving Berlin institutions of higher education.

Five out of seven Heads of Department are now jointly appointed with universities in the Berlin-Brandenburg region, they all have a reasonable teaching obligation (S-Professorship); the two other positions are currently in the hiring or appointment process.

i) A considerable percentage of the positions for academic staff should be temporary. When positions become vacant they should revert to the disposition of the President and may be

relocated by him or her. The quality rating of the positions should be examined and altered if necessary.

The staff policy of DIW Berlin has been revamped introducing criteria for the quality rating of positions (e.g. tenure positions). The number of positions for Ph.D. students has been increased considerably. The portion of temporary contracts has been significantly and constantly increased from 11.5% in 1996 to 25.5%, in 2001 to 30.7% in 2002 and to 36.4.0% in 2003.

j) In relation to its function to support the Institute's development, the Scientific Advisory Board should be strengthened and organised accordingly. It should, above all, be involved in research planning.

Currently, the Scientific Advisory Board comprises 12 members. It assesses the research work and reports its findings to the Institute's Board of Trustees. The Scientific Advisory Board supports the Institute in its long-term research and development planning on an annual basis.

k) Despite ongoing reporting, the department "Macro Analysis and Forecasting" should enhance its scientific orientation and capacity.

The academic performance has been substantially increased by an augmentation of publication in refereed journals and participation in high-ranked conferences, enhancing the Department's international network, the organization of the international conference "Philips curve revisited" in close co-operation with Centre for Economic Policy Research (CEPR), London, the HU Berlin and IZA, and the engagement in joint seminars in cooperation with the FU Berlin. The department is founding member of the EUROFRAME network

l) Several working groups in the department "Public Sector" do not publish sufficiently in reviewed journals. Scientifically, the theoretical assumptions and findings are not visible enough. If the departments "Macro Analysis and Forecasting" and "Public Sector" were to be amalgamated, a different organisational home should be found for the working groups "Social Policy and Women's Studies" and "Education, Training and Women's Studies".

A Social Policy and Education Research Group has been established in order to cover the important research topics of human capital accumulation, the public supply and financing of education and its repercussion to the labor market in the long run. The results of the scientific work of the members of this group have been presented at scientific conferences and published in academic journals. The recommendation to integrate the Fiscal Policy Group of the Department into the Department of Macro-analysis and Forecasting and to integrate the research group Social Policy and Education into other Departments has not been implemented. Instead, the research program of the Department was redefined towards analyzing the German welfare state with the help of modern methods of micro-econometric analysis and micro-simulation. The macroeconomic aspects of public spending is taken into account by a well established cooperation with the Department of Macro-analysis and Forecasting.

m) Work in the department "Berlin/Brandenburg" is unsatisfactory. It is, therefore, not recommended to develop it into a department "General Regional Research". Regional economic questions should be reformulated, both methodologically and theoretically, possibly being integrated in the department "Structural Research".

The Berlin/Brandenburg Department has been dismantled in order to integrate its researchers into other Departments and to overhaul their research agenda and methodology.

n) The scientific quality of work in the department “International Economic Structures” varies: the working group “International Trade and Capital Flows” is producing good work; the working group “European Integration” works descriptively. The department’s theoretical foundation (regional economics) is missing.

The Department for International Economics and the Research Group on Eastern Europe were merged. Research has been based on a stronger theoretical foundation and has been funded by more research-led grants. Marginal or advisory projects have been discontinued, and research co-operations have been strengthened. These efforts have paid off in terms of a substantial increase in the number of discussion papers and journal submissions which have led to more refereed journal publications.

o) The Department “Transportation” should be dissolved and continued in a different organisational form in the framework of comprehensive models of transportation impact and consequences. The department “Energy and Raw Materials” only has a weak link to economic analysis. Thus the department should not continue to be run in this way. The field of energy and raw materials could be dealt with by other departments with a new scientific focus.

DIW Berlin has fulfilled the recommendations by founding the new Department of Energy, Transportation, Environment, and by expanding the focus on environmental economics and by strengthening the scientific founding of energy and transportation analysis. The research on information technology and new media was separated from the research in transportation economics and was transferred to the new Department of Information Society and Competition.

p) In 1994, the Scientific Council recommended supporting the SOEP as a Blue List institution. It also recommended setting up a research programme and increasing the number of temporary positions. Four positions were supposed to be designated as qualification positions. The head of SOEP was supposed to be appointed in agreement with the university. For the Advisory Board of the SOEP, the Scientific Council recommended its member in the future to be appointed by the GESIS Board of Trustees in consultation with the President of DIW Berlin.

In 2003, the SOEP group was finally – after ten years of intense negotiation with a number of Ministries - turned into a “service unit” of the Leibniz Association within the DIW Berlin. Its first research program was set up in the application for funding for the years 1996-1998 which was submitted to the German Science Foundation in 1995. The research program was updated both in subsequent applications submitted to the German Science Foundation in 1998 and 2000, respectively, and in discussions with the Scientific Advisory Board of DIW Berlin in 2002 and 2003.

The number of temporary contracts has constantly been increased. In addition, there are on average at least four doctoral candidates constantly working in the SOEP Department.

The head of the SOEP Department has been jointly appointed at first in 1997 with the European University Viadrina of Frankfurt/Oder, when he declined an offer from University of Goettingen. Since the year 2002 he is jointly appointed with the TU Berlin. In addition, since the mid 1990ties staff members of the SOEP Department have been engaged heavily in teaching at various local universities.

The recommendation with regard to the appointment of members of the Advisory Board was not followed by the funding bodies of DIW Berlin. In their view, GESIS was too focused on

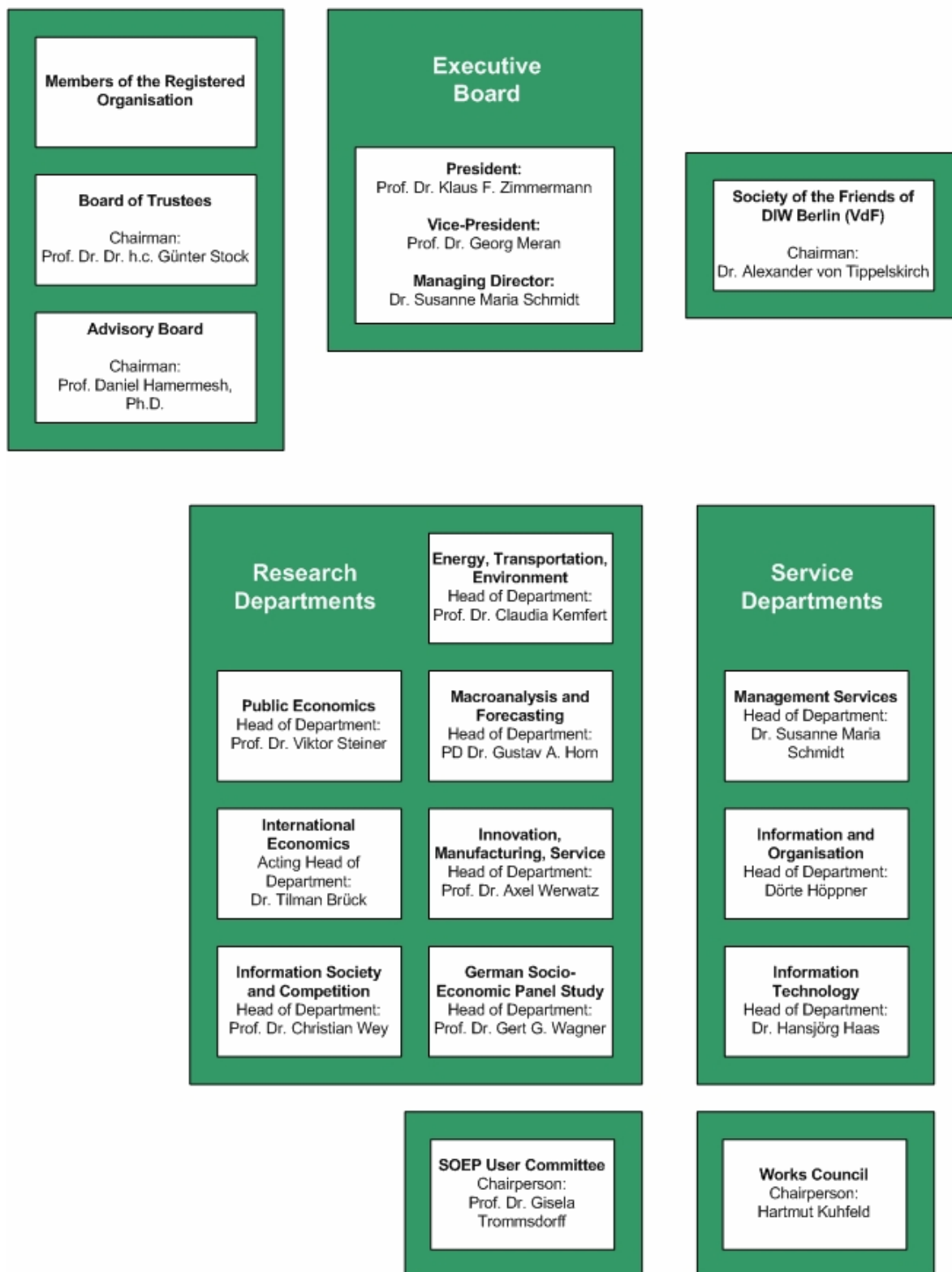
sociology and political science to advise the SOEP on all its interdisciplinary issues. In the meantime, the recommendation has become obsolete because in November of 2004 a new body will be established by the Federal Ministry of Education and Research which will provide advice on all kinds of social and economic data: the "German Council of Social and Economic Data" (Rat fuer Sozial- und Wirtschaftsdaten"). The SOEP Department will be represented by and in this council.

q) The department "Structural Research" does not have a consistent research concept. It comprises very disparate working groups such as Regional Research, Demographic Research, or Construction and Housing Industry. Both input-output-accounting methods as well as the research on investment return are in need of methodological-theoretical examination. The department should take greater account of academic economic discourse.

The Regional Economics group has successfully changed both its focus (to enterprise location) and its theoretical background (to the new economic geography). The Department has been merged into the new Department Innovation, Manufacturing, Service.

Appendix 1

Organisation Chart



Appendix 2

Financial resources and allocation of resources

(Figures in € 1,000)

	2003	2002	2001
I. Financial resources (income) ¹	18,797	19,166	19,431
1.1 Institutional funding	11,692 ⁵	8,310	8,093
- Federal States ²	5,299	4,155	4,047
- Federal Government ²	6,393	4,155	4,046
- Other institutional funding ³	0	0	0
<i>Institutional funding as a proportion of total financial resources (in %)</i>	<i>62.2</i>	<i>43.4</i>	<i>41.6</i>
1.2 Research support	5,408 ⁵	9,522	9,450
<i>As a proportion of total financial resources</i>	<i>28.8</i>	<i>49.7</i>	<i>48.6</i>
1.3 Services, contracts, licences, publications ³	1,697	1,334	1,888
<i>As a proportion of total financial resources</i>	<i>9</i>	<i>7.0</i>	<i>9.7</i>
1.4 Other third-party resources	0	0	0
<i>As a proportion of total financial resources</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
II. Expenditures	19,073	19,448	19,781
2.1 Personnel	11,591	11,526	11,356
2.2 Materials, supplies, equipment	6,522	6,873	7,554
2.3 Investments (not incl. building investments)	472	806	669
2.4 Building investments ⁴	0	0	0
2.5 Special positions (where applicable)	278	35	0
2.6 Allocations to reserves (where applicable)			
2.7 For information only: DFG charges	210	208	202

¹ Actual expenditures in each year classified by financial resource; not incl. money in transit.

² Funding according to BLK decision

³ Special financing, EU funds

⁴ Building investments, multi-annual measures for building maintenance, land acquisition incl. demolition

⁵ Until January 1, 2003, the SOEP group had been funded by the German Science Foundation. Afterwards it was officially implemented within DIW Berlin. The Federal Ministry of Education and Research provides funds for two thirds of the SOEP's budget (2,27 €), the German Länder provide funding for the remaining third of the budget (1,13 €).

Appendix 3

Third-party resources classified by organizational unit¹

(Figures in € 1,000)

	2003 ²	2002	2001
I. Total	7,105	10,856	11,338
- DFG (German Research Foundation)	13	2,510	2,173
- Federal Government	2,786	3,681	4,692
- Federal States	1,333	762	775
- EU project funding	650	1,428	1,680
- Foundations, other research support	626	1,141	130
- R&D assignments, co-operation with industry, services, licenses	1,697	1,334	1,888
- Other third-party resources ³	0	0	0
II. By organizational unit			
Executive Board	25	0	0
- DFG (German Research Foundation)	0	0	0
- Federal Government	0	0	0
- Federal States	0	0	0
- EU project funding	0	0	0
- Foundations, other research support	0	0	0
- R&D assignments, co-operation with industry, services, licenses	25	0	0
- Other third-party resources ³	0	0	0
Macro Analysis and Forecasting	513	548	746
- DFG (German Research Foundation)	0	0	0
- Federal Government	351	405	389
- Federal States	0	0	0
- EU project funding	0	87	212
- Foundations, other research support	64	6	4
- R&D assignments, co-operation with industry, services, licenses	98	51	142
- Other third-party resources ³	0	0	0
International Economics	1,635	1,508	2,165
- DFG (German Research Foundation)	0	0	0
- Federal Government	92	114	253
- Federal States	0	9	120
- EU project funding	62	53	276
- Foundations, other research support	10	139	14
- R&D assignments, co-operation with industry, services, licenses	1,471	1,192	1,503
- Other third-party resources ³	0	0	0

	2003 ²	2002	2001
Public Economics	620	482	674
- DFG (German Research Foundation)	13	0	0
- Federal Government	423	294	502
- Federal States	139	67	23
- EU project funding	42	29	104
- Foundations, other research support	4	82	28
- R&D assignments, co-operation with industry, services, licenses	0	9	17
- Other third-party resources ³	0	0	0
Innovation, Manufacturing, Service	1,437	1,419	1,387
- DFG (German Research Foundation)	0	0	0
- Federal Government	627	839	1,018
- Federal States	715	329	228
- EU project funding	54	106	32
- Foundations, other research support	41	119	32
- R&D assignments, co-operation with industry, services, licenses	0	27	77
- Other third-party resources ³	0	0	0
German Socio-Economic Panel Study	716	4,661	3,914
- DFG (German Research Foundation)	0	2,510	2,173
- Federal Government	214	1,277	1,361
- Federal States	27	0	0
- EU project funding	343	815	349
- Foundations, other research support	131	58	10
- R&D assignments, co-operation with industry, services, licenses	0	0	21
- Other third-party resources ³	0	0	0
Information Society and Competition	465	387	349
- DFG (German Research Foundation)	0	0	0
- Federal Government	0	4	56
- Federal States	271	212	219
- EU project funding	88	126	0
- Foundations, other research support	106	46	0
- R&D assignments, co-operation with industry, services, licenses	0	0	74
- Other third-party resources ³	0	0	0
Energy, Transportation, Environment	1,441	1,205	1,474
- DFG (German Research Foundation)	0	0	0
- Federal Government	1,081	747	1,060
- Federal States	0	19	75
- EU project funding	61	158	286
- Foundations, other research support	237	231	0

	2003 ²	2002	2001
- R&D assignments, co-operation with industry, services, licenses	63	49	53
- Other third-party resources ³	0	0	0
Service Units	254	645	626
- DFG (German Research Foundation)	0	0	0
- Federal Government	0	0	52
- Federal States	183	127	109
- EU project funding	0	53	422
- Foundations, other research support	33	460	43
- R&D assignments, co-operation with industry, services, licenses	39	5	0
- Other third-party resources ³	0	0	0

¹ Actual expenditure in each year classified by financial resource; not incl. money in transit.

² Preceding complete calendar year; preliminary data.

³ For example: donations, member fees, etc.; if appropriate, specify data

Appendix 4

Staffing

acc. to sources of funding and pay scale

- Personnel (financed by institutional and third-party resources) in terms of full-time equivalents
[reporting date 31.12.2003] -

	Total number ²	Number financed by	
		Institutional resources ²	Third-party resources ²
Total	181,1	100,5	80,6
1. Academic and higher management staff	85,6	43,9	41,7
- S (B4 and above)	5,0	4,0	1,0
- S (B2, B3)	3,5	3,5	0,0
- I, A16	4,5	3,0	1,5
- Ia, A 15	29,2	14,8	14,4
- Ib, A 14	32,2	16,0	16,2
- IIa, A 13	11,2	2,6	8,6
2. Doctoral candidates	20,5	6,7	13,8
3. Other staff	75,0	49,9	25,1
- III, IV, A 12, A 11, A 10	26,9	22,5	4,4
- V, A 9, A 8	26,1	14,9	11,2
- VI, A7	5,5	4,5	1,0
- VII, VIII, A 6, A 5	8,5	5,0	3,5
- Wage brackets, other staff	8,0	3,0	5,0
- Trainees	0,0	0,0	0,0

¹ Employment positions acc. BAT or other collective pay agreements for staff which is financed by institutional or third-party resources (incl. trainees and guest scientists, but without diploma students, student assistants and contracts for work and services)

² In full time equivalent; correct to only one decimal place

Appendix 5

Staffing acc. to organisational unit

- Personnel (financed by institutional and third-party resources) in terms of full-time equivalents [reporting date 31.12.2003] -

	Total	Academic and higher management staff ¹	Doctoral candidates ²	Other staff, trainees
Entire establishment	181.1	85.7	20.5	75.2
Executive Board	5.5	4.0	0.0	1.5
Macro Analysis and Forecasting	16.7	8.6	3.7	4.5
International Economics	17.3	9.0	2.0	6.4
Public Economics	16.9	8.0	4.0	5.0
Innovation. Manufacturing, Service	25.6	16.7	2.0	7.0
German Socio-Economic Panel Study	17.6	8.8	4.6	4.2
Information Society and Competition	9.3	5.5	2.0	1.8
Energy, Transportation, Environment	24.1	14.2	2.2	7.8
Service Units	47.9	10.9	0.0	37.0

¹ BAT IIa and above (not incl. doctoral candidates)

² If financed by institutional or third-party resources

Appendix 6

Personnel

- Individuals (financed by institutional and third-party resources) acc. to pay scale [reporting date 31.12.2003] -

	Total number	Financed by third-party resources		Temporary contracts		Women		Women on temporary contracts	
		Number	%	Number	%	Number	%	Number	% ¹
I. Total	215	95	44,2	71	33,0	98	45,6	33	15,3
1. Academic and higher management staff	99	47	47,5	36	36,4	27	27,3	13	48,1
- S (B4 and above)	5	1	20,0	5	100,0	0	0,0	0	0,0
- S (B2, B3)	5	0	0,0	1	20,0	0	0,0	0	0,0
- I, A16	6	2	33,3	1	16,7	0	0,0	0	0,0
- Ia, A 15	33	15	45,5	0	0,0	6	18,2	0	0,0
- Ib, A 14	36	18	50,0	20	55,6	13	36,1	8	61,5
- IIa, A 13	14	11	78,6	9	64,3	8	57,1	5	62,5
2. Doctoral candidates	26	18	69,2	25	96,2	12	46,2	12	46,2
3. Other staff	90	30	33,3	10	11,1	59	65,6	8	13,6
- III, IV, A 12, A 11, A 10	33								
- V, A 9, A 8	32								
- VI, A7	7								
- VII, VIII, A 6, A 5	10								
- Wage groups, other staff									
- Trainees	0								

¹ Women on temporary contracts / number of women

Appendix 7

Publications

- Total number and classification by organizational unit¹-

	2004 (as of 04/07/13)	2003	2002	2001
I. Total number of publications	177 (95)*	441 (197)	422 (191)	329 (149)
- Monographs (authorship)	4	36 (3)	46 (2)	32 (3)
- Monographs (editorship) ²	4	6	7	2
- Contributions to collective works	30	76	85	67
- Papers in peer-reviewed journals	17	29	21	21
- Papers in other journals	81 (61)	195 (133)	190 (140)	156 (130)
- Working Papers / Discussion Papers	31 (25)	87 (54)	62 (33)	42 (22)
- Electronic publications ³	10 (9)	12 (11)	11 (11)	9 (9)
II. By organizational unit				
Executive Board	15 (5)	30 (5)	23 (4)	19 (2)
- Monographs (authorship)	0	2	3	1
- Monographs (editorship) ²	2	3	3	1
- Contributions to collective works	2	6	4	5
- Papers in peer-reviewed journals	4	0	1	2
- Papers in other journals	5 (4)	12 (2)	11 (4)	6 (2)
- Working Papers / Discussion Papers	2 (1)	7 (3)	1	4
- Electronic publications ³	0	0	0	0
Macro Analysis and Forecasting	23 (19)	58 (39)	61 (49)	63 (46)
- Monographs (authorship)	0	1	2	0
- Monographs (editorship) ²	0	0	0	1
- Contributions to collective works	2	1	0	10
- Papers in peer-reviewed journals	0	3	1	2
- Papers in other journals	17 (15)	46 (34)	46 (41)	47 (44)
- Working Papers / Discussion Papers	3	6 (4)	11 (7)	3 (2)
- Electronic publications ³	1 (1)	1 (1)	1 (1)	0
International Economics	27 (15)	83 (48)	48 (21)	50 (16)

* The figures in brackets show the amount of the total publications in the respective category, which were published in the DIW Berlin publication series (e.g. DIW Berlin Discussion Papers, Quarterly Journal of Economic Research)

¹ Each publication is counted only once and should be assigned to one organizational unit.

² Contributions to a monograph, which is edited by employees of the establishment, are to be listed in "Contributions to collective works".

³ Only electronic publications which have not been published in printed form, e.g. CDs, electronic manuals.

	2004	2003	2002	2001
	(as of 04/07/13)			
- Monographs (authorship)	0	2	6	4
- Monographs (editorship) ²	0	1	2	0
- Contributions to collective works	2	14	8	15
- Papers in peer-reviewed journals	2	4	2	4
- Papers in other journals	14 (8)	27 (20)	18 (13)	21 (17)
- Working Papers / Discussion Papers	7 (5)	34 (27)	11 (7)	6 (6)
- Electronic publications ³	2 (2)	1 (1)	1 (1)	0
Public Economics	18 (12)	33 (21)	41 (36)	31 (20)
- Monographs (authorship)	1	1	4	3 (1)
- Monographs (editorship) ²	0	0	0	0
- Contributions to collective works	3	7	12	7
- Papers in peer-reviewed journals	1	2	4	0
- Papers in other journals	4 (4)	16 (16)	19 (16)	19 (18)
- Working Papers / Discussion Papers	8 (7)	5 (3)	1 (1)	2 (2)
- Electronic publications ³	1 (1)	2 (2)	1 (1)	0
Innovation, Manufacturing, Service	22 (11)	60 (27)	62 (18)	27 (4)
- Monographs (authorship)	1	9 (1)	1	7 (1)
- Monographs (editorship) ²	0	0	0	0
- Contributions to collective works	4	14	6	7
- Papers in peer-reviewed journals	2	6	5	0
- Papers in other journals	10 (8)	26 (22)	26 (21)	12 (10)
- Working Papers / Discussion Papers	3 (2)	4 (3)	11 (6)	1
- Electronic publications ³	2 (1)	1 (1)	4 (4)	0
German Socio-Economic Panel Study	30 (16)	82 (22)	99 (34)	91 (39)
- Monographs (authorship)	0	1	2	7
- Monographs (editorship) ²	1	2	0	0
- Contributions to collective works	8	16	34	16
- Papers in peer-reviewed journals	1	12	5	9
- Papers in other journals	14 (11)	30 (14)	31 (18)	28 (20)
- Working Papers / Discussion Papers	3 (2)	19 (6)	23 (12)	23 (11)
- Electronic publications ³	3 (3)	2 (2)	4 (4)	8 (8)

	2004	2003	2002	2001
	(as of 04/07/13)			
Information Society and Competition	15 (7)	32 (5)	20 (1)	9 (5)
- Monographs (authorship)	0	10 (1)	5	1
- Monographs (editorship) ²	1	0	1	0
- Contributions to collective works	3	7	7	1
- Papers in peer-reviewed journals	3	1	1	1
- Papers in other journals	4 (3)	8 (3)	6 (1)	6 (5)
- Working Papers / Discussion Papers	4 (4)	5 (4)	0	0
- Electronic publications ³	0	1 (1)	0	0
Energy, Transportation, Environment	27 (10)	61 (30)	56 (22)	33 (17)
- Monographs (authorship)	2	10 (1)	10	8 (1)
- Monographs (editorship) ²	0	0	0	0
- Contributions to collective works	6	9	11	3
- Papers in peer-reviewed journals	4	1	2	3
- Papers in other journals	13 (8)	29 (22)	29 (22)	17 (14)
- Working Papers / Discussion Papers	1 (1)	7 (4)	4	1 (1)
- Electronic publications ³	1 (1)	4 (3)	0	1 (1)
Service Department Information Technology	0	0	2	1
- Monographs (authorship)	0	0	2	0
- Monographs (editorship) ²	0	0	0	0
- Contributions to collective works	0	0	0	1
- Papers in peer-reviewed journals	0	0	0	0
- Papers in other journals	0	0	0	0
- Working Papers / Discussion Papers	0	0	0	0
- Electronic publications ³	0	0	0	0
Service Department Information and Organisation	0	2	10 (6)	5
- Monographs (authorship)	0	0	2 (2)	1
- Monographs (editorship) ²	0	0	1	0
- Contributions to collective works	0	2	3	2
- Papers in peer-reviewed journals	0	0	0	0
- Papers in other journals	0	0	4 (4)	0
- Working Papers / Discussion Papers	0	0	0	2
- Electronic publications ³	0	0	0	0

Appendix 8

Documents submitted by DIW

- Evaluation report according to the Evaluation Questionnaire for the Leibniz Association Research and Service Facilities (including tables)
 - Organization chart
 - Statutes of DIW Berlin
 - Work schedule
 - Annual Report 2003
 - List of members of the Scientific Advisory Council and of the SOEP User Committee
 - Reports made by the Scientific Advisory Council on the internal audit 2001 - 2003
 - Visits to the establishment, Visits by the establishment's staff to other establishments
 - List of lectures/courses
 - Current dissertation projects at DIW
 - Agreements between respectively the Free University Berlin, Humboldt University Berlin, Technical University Berlin, Potsdam University, Europa-University Viadrina, Kassel University and the DIW Berlin
 - Overview and detailed list of publications in the last 3 years, List of the ten most significant publications, List of publications in 2004 and impact factors of relevant journals
 - List of lectures at universities and guest lectures at non-university institutions
 - Statistics: scientific performance, policy impact and performance indicators for products, user statistics of DIW Berlin newsletter and mailinglist
 - Conferences and workshops hosted by the DIW, Organization of external conferences and workshops
 - External conferences in which the Institute's economists participated in 2001–2003
 - Prizes/awards
 - Faculty appointments
 - List of third-party projects (EU, BMBF, DFG and others)
 - Illustrations of the publication processes of DIW
-

Annex B: Evaluation Report

German Institute for Economic Research Berlin (DIW)

Content

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2. Mission, Tasks, Main Work Areas	3
3. Structural Features and Organization	6
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Appendix: Participants of the Evaluation Committee

1. Summarized Evaluation and Relevance of the Facility

The DIW Berlin was evaluated as a research institution at the usual evaluation interval. The task of the expert panel was to assess the institute's performance over the past seven years as well as to determine whether the institute is well positioned within the international research landscape and viable for the future. Moreover, the institute's success in implementing the recommendations of the last evaluation carried out by the German Science Council was assessed.

The DIW has followed the recommendations of the German Science Council and has evidently developed considerably, although it has still a long way to go to become an international-class research institute; the trajectory being followed, however, seems right. The President, who took office in 2000, has set up an effective management structure as a prerequisite for improving the institute's output.

The institute's main **strengths** lie in this new management structure which boasts a firm administrative footing, the step by step introduction of appropriate incentive schemes, senior positions filled by young and promising researchers during the last three years, as well as the dynamic and impressive spirit among researchers. The output of the SOEP department is impressive; it has a real international standing. Contributions of the DIW to policy expertise are highly regarded by the German government and state governments. All these facts raise reasonable hope with regard to overcoming the **shortcomings**: (i) a deficit in internationally renowned publications – the SOEP department is the sole department to contribute to scientific literature at an acceptable rate –, (ii) foreseeable resource problems in the next years, (iii) a deficit in third party funds won in competitive procedures, and (iv) heterogeneity between departments in terms of their scientific output, policy expertise, and number of PhD students. An important problem lies in the adequate integration of the SOEP department into the institutional, administrative and scientific structure of the DIW. The SOEP differs from the other departments in three respects, namely the interdisciplinary nature, the separate budget and the equal share of work going into the areas of research and service.

In general remarkable improvements can be observed. Nevertheless, the level of performance achieved as yet is still too low. The publication performance measured by international standards is insufficient. But the experts feel that it would have been next to impossible to move faster than DIW has done, at least within the institutional framework structure in which the institute operates. However, the institute is required to demonstrate significant improvement in its output until the next evaluation. By then, it must be a high quality research institute according to international standard criteria.

The experts disagree on two fundamental issues: firstly, the suggestion of an amendment to the statute in favour of providing services and, secondly, the clarification of the institute's mission. There are strong arguments on both sides. Concerning an **amendment to the statute**, many of the experts prefer to keep the statute unchanged. The task of producing services is a natural part of DIW's activities. It should not be incorporated into the statute since it would dilute the current development direction of the institute towards improvement of high research quality. The opposite opinion holds that an amendment to the statute would strengthen the notion of scientific service as a core element of the institute's work. By upgrading it to a statutory element researchers would be obliged to, and responsible for, the provision of services in addition to performing academic research. According to the importance of service activities the weight of publication resulting from service activities could be adjusted. In particular, an amendment of the

statute would formally qualify the role of the SOEP department and remove some anomalies researchers are concerned with.

The **institute's mission** is also a crucial point. The institute could choose between two strategic options: one is to define the most important fields of activity for the next few years. The alternative is to retain the flexibility in order to allow the institute to move into new research fields as quickly as possible, depending on the opportunities of hiring the top researchers in the given fields in order to strengthen the scientific profile and output of the institute. With regard to the last strategic option, the quality of personnel the institute is able to attract invariably will dominate the choice of research topics. On the other hand, going for the first option would mean that the research program would predominantly determine the choice of topics and scholars. The DIW has to balance these strategic options, when defining a clearer research profile.

Despite the reservations mentioned above, the DIW made a **very positive upcoming impression**. This potential should be used to reach higher goals. The evaluation committee's recommendations might be helpful in doing so.

2. Mission, Tasks, Main Work Areas

DIW is a research institute which works well on the interface between economic research and economic policy advice. It is a well-known institution in Germany that regularly contributes to the discussion of economic policies in the media. The institute, however, has not yet found a distinctive research profile of its own. As yet, there is no overall research strategy which defines the most relevant topics and foci for the coming years – this is the opinion of the experts' majority. Generally speaking, this also applies to every single research department. The departments are more or less lacking a coherent long-term research program or a departmental vision. Currently there is too much heterogeneity in individual departments and therefore a noticeable under-exploitation of possible synergy effects. This might lead to the scattered and inefficient use of scarce resources and even to a rather reactive definition of research topics. On the other hand, there are various research projects, theoretical approaches and methodologies used which are innovative and promising.

Research topics of the **Department of Macroanalysis and Forecasting** include factors determining short-term business fluctuations and the long-term effects of economic policy at the national and EU level. It provides several acknowledged services, including six business cycle forecasts per year in cooperation with the other five economic research institutes and a quarterly national accounting report as the only German institute. To do so, this department uses rather advanced methods. With the exception of the tasks of providing forecasts, the research topics are heterogeneous. The specific contribution of the department, in particular the role of the econometric model developed in the department, to the Joint Forecast for Germany (Gemeinschaftsdiagnose) is rather unclear. The academic performance of the department has certainly improved but it still needs further improvement, especially in the following areas: the number of papers published in reviewed journals, presentations at international conferences and the degree of international co-operations. Staff members are strongly engaged in day-to-day duties and cannot spend enough time on research work and writing articles. The balance between research and service should be somewhat shifted in favour of research.

The **Department of International Economics** has an impressive performance record which can be seen in the number of publications in reviewed journals, scientific awards and appointments of staff in senior positions at universities and other professional posts elsewhere. Its re-

search topics relate to the driving forces of international trade and factor mobility in the process of globalization and European integration. The theoretical and methodological basis has been considerably strengthened. This department is in a state of flux. A new department head with a strong research record is about to be appointed. Several senior researchers were successful in applying for university chairs and are now on leave.

The research topics covered by the **Department Information Society and Competition** include the changes in firms' strategies and competition structures implied by the introduction of new information technologies. The head of department introduced a theoretical approach to this research area which is new in comparison to other German research institutes. There are three sub-themes: markets and competition; information society and e-commerce, network economics and regulation. Methodologically speaking, the research is largely based on regulation economics, game theory and contract theory. Nevertheless, the research profile of the department is unfocused in terms of content and methodology, a fact which is somehow reflected by the "fluffy" department name. The department is well-linked with the others. There is, however, some overlapping with issues addressed in the Department of Innovation, Manufacturing and Services, and the assignment of some projects seems questionable.

The department is by far the smallest, even the newest one. Due to the new DIW policy, according to which the institute's budget is equally distributed to the departments, this department could earn an advantage: it does not have to rely heavily on external funds and might, therefore, be able to follow up its own, independently defined research program. In addition to clarifying the department mission, staff members in this department should increase their publication record.

The **Department of Innovation, Manufacturing and Services** is a merger of two former departments, carried out on the recommendation of the German Science Council. The four research areas are: innovation and technology; manufacturing and services; corporate finance; and enterprise location and agglomeration. Methodologically speaking, the department relies on micro-econometrics and on panel econometrics, some of which are based on databases generated by the DIW. These databases include cost structure and production data on a firm level, and a longitudinal survey of East German firms. However, besides the objective of establishing a unique area of competence, the research field is still too heterogeneous. The department has, thus, not found a convincing research strategy as yet. No department "niche" can be identified. To a certain extent, this may depend on the size of the department which contains about 22 scientists, 13 of whom are third party funded. This implies that about 70 % of the department's budget has to be acquired from outside. An overarching research concept as a restriction frame for developing proposals for competitive research grants has to be put forward. On the other hand, the heterogeneity of topics inspires a communicative atmosphere enforced by a participatory leadership. The new department head pushes the re-orientation towards microeconomics in an energetic and determined manner. As mentioned above, the thematic overlapping with areas covered by the Department of Information Society and Competition should be reconsidered.

The **Department of Energy, Transport and Environment** concentrates on Computable General Equilibrium Models (CGE), game theory and integrated assessment tools. The goal is to extend CGE models to energy and climate policies. The department sees the comparative advantage over national institutions such as the Kiel Institute or the Centre for European Economic Research (ZEW) in the inclusion of traffic into energy and CO₂ modelling, in strengthening the validity of the modelling research by using empirical data and in the extension of the methodological tools by carrying out integrated assessments. One problem is that some researchers are

using traditional methodological approaches, mainly statistics. The department seems to be oversized with 23 scientists and, hence, it relies heavily on third party funds. The most important problem to overcome here is the unsatisfactory publication output. During the period 2001 to 2003 the number of refereed publications per researcher and year was between 0.06 and 0.17. This has improved slightly, in particular due to the publication record of the new promising head of department, who took office in 2004.

The **Department of Public Economics** follows a clear methodological approach using micro-economic data in order to simulate tax measures, tax expenditure and certain public spending measures. This is regarded as an excellent tool for analyzing the effects of a tax-transfer system. The modelling is predominantly static and should be extended to include dynamic effects, e.g. behavioural aspects. This unique research is done on a sound scientific basis. The department will have a comparative advantage owing to these micro-simulation models and is expected to become a national leader in the course of the next few years. The publication record is still not convincing. But a number of DFG projects have been obtained. The department size is adequate to work on these issues. Nevertheless, the scope of the program is very broad, although only fragments of the research topics which the program header implies are actually dealt with. The feasibility of this research program should be examined.

The **SOEP Department** plays a distinguished role by producing a data service with 50 % of the staff members' workload. Both, service and research output are very satisfactory. It is the only department which achieves the standard publication goal of one reviewed publication per researcher yearly. In terms of presence on the international stage, the SOEP department is streets ahead of the other departments of the DIW and is the only one with real international standing. The experts are impressed by the innovations that have come out of SOEP both with respect to the methods used and to substance. It is one of the most widely used datasets in the scientific world and the staff deserves credit for achieving this position. The motivation of the SOEP group is very high. The staff is enthusiastic, displaying real excitement about new scientific opportunities and openness towards new ideas.

Nonetheless the institute has not developed an appropriate governance structure for this department, at least in the view of the respective staff members. The interdisciplinary SOEP team does not receive the attention from the institute's management that is expected. This includes, among others, possibilities to participate even in leading conferences, which addresses research topics over and above economics which are related to sociology, political sciences or psychology. It appears that other DIW departments are increasingly taking advantage of SOEP data, a fact which is a good example of achieving economies of scope within an institute.

To maintain the high scientific standards it would make sense to establish a sub-group of DIW's Scientific Advisory Board comprising appointed suitable scientific members to attend to SOEP in addition to its User Committee.

Besides the departmental structure there are **research groups** that concentrate on cross-departmental research fields. These cross-cutting research groups comprise scientists from different departments and are regarded as useful complements to departmental research topics. It remains to be seen, however, what the actual research outcome will be and how dynamic these groups actually work. Take, for example, the cross-cutting research group "sustainable development"; this group fulfils important research tasks beyond the boundaries of individual departments. It pursues an innovative approach and is important not only for the department of energy, transport and environment itself, but for all of the DIW. It is based on the notion of sus-

tainable development taking into account economic, social, and ecological aspects as well as the interests of future generations. This group contains researchers from five departments (Public Economics, International Economics, SOEP, Innovation and Energy/Environment).

The role, and the relationship to the DIW, of research directors who are responsible for cross-departmental groups and research professors who should provide an academic research network with DIW are rather unclear. In order to avoid the impression of simply being part of a marketing strategy both research directors, if they are externally associated, and research professors should not only show up from time to time, but they should also be integrated more actively in the research programs.

All departments are involved in the area of **policy advice**. Policy advice plays a strong and traditional part of the every day work load of the DIW. Both the German Government and the individual German States rely heavily on DIW expertise. Its main transfer channels are several publication forms such as Weekly Report or information and deliberation to official agencies and other contributions to public debate. The establishment of an interconnection between research and these kinds of services is done rather successfully. Obviously there is a healthy division of labour between researchers who are more engaged in theoretical or applied research and those who are more involved in policy research and in providing public expertise on economic issues.

Primarily, the DIW has to fulfil a research mission. The experts share the view that policy research and advice should be carried out on a sound scientific basis. That means that DIW researchers have to be integrated in the global economic academic community.

3. Structural Features and Organization

The DIW is an institute with a long tradition dating back to 1925. Accordingly, organizational structures and institutional behaviour are strongly consolidated and therefore difficult to change. The institute's management, however, has made a very constructive and convincing impression in terms of restructuring the institute. The new President has attempted to build up a more flexible and competitive institute. Above all, he has changed organizational structures: at present the DIW has six research departments and the SOEP department being distinguished from the others for covering the fields of research and service in equal proportion. One suggestion put forward is that the number of departments be reviewed, one possibility being to merge certain departments: in particular "Macroanalysis and Forecasting" with "International Economics" or "Information Society and Competition" with "Innovation, Manufacturing and Services".

At present, the departments are very unequal in size. This is supposed to disappear in the medium term due to the institute's rules for the distribution of funds equally between departments, thus favouring smaller and aggravating larger departments which should imply a decrease in personnel in the larger departments. One aspect of the institute's restructuring concerns the division of labour between the research departments and the service units. These central units support the scientists by taking on administrative, funding, public relations or transfer tasks in order to leave the scientists to carry out their original tasks.

The **SOEP department** was incorporated into the institute's structure in 2003 and has its own budget at its disposal. Integration meant that this department lost its autonomous status, a fact that brings about increasingly negative consequences for the SOEP staff. Apparently there are some problems regarding the proper recognition of this interdisciplinary group of scientists in terms of the institute's incentive structure. The performance indicators give favour to economists

and research output. SOEP researchers feel marginalized in the institute, since this incentive structure does not acknowledge scientists involved in the provision of service. These problems have to be resolved by the management, perhaps by changing elements of the governance structure. Part of this structure is the SOEP User Committee which was established in 2004. The experts, nevertheless, express serious concerns about further scientific development and the scientific quality assurance in SOEP. It was therefore stressed that this department needs to be accompanied not only by representatives of the users, but also by renowned scientists who work in an advisory capacity in order to oversee the scientific development of SOEP. The evaluation group recommends the establishment of a sub-committee to the Scientific Advisory Board for this task.

The **Scientific Advisory Board** is composed of several internationally renowned scholars. The size of the board (15 members) appears to be on the high side while attendance at the board's meetings often leaves a lot to be desired. Nonetheless, the internal evaluation done by the Board was carried out both thoroughly and professionally; it could be strengthened in some areas.

4. Resources, Expenditures and Personnel

The institute is still in a transition period. Since the President took up office a successful reorganization process has been underway. The President has established an efficient management structure including new **management techniques**, such as performance-based management and **human resource development**. A human resource manager position was established, and the Development and Objective Dialogue between department heads and employees is in the pipeline. The topics of dialogue are, for instance, the question of career paths including decisions about tenure tracks. The cost accounting is fully operative. An elaborated reporting system which supports controlling by the department heads and the President has been gradually introduced. Even a program budget for 2005 has been drawn up and meets the standards prescribed by the institute's donors. Just as important: the new management has introduced an incentive scheme, comprising indicators for further research output. Accordingly, for instance, publications are rewarded by a bonus of € 5,000 which goes into the department's budget. As far as other institute's tasks are concerned, for instance services and policy advice, suitable incentives are not yet in place. So, the incentive scheme and performance indicators therefore have to be fully implemented and extended, even in the case of the twofold objectives in the SOEP department.

A number of **structural problems inherited from the past** – concerning the age structure of tenured people, the duration of employment at the institute, the size of departments and the respective extension of third party funding – could cause severe conflicts. Even the poor state of the buildings the DIW owns has to be considered. All of these problems have to be borne in mind when the institute and the organizational bodies such as the Board of Trustees and the Advisory Committee take strategic decisions in the future.

According to the institute's statement, no researchers have been tenured during the last three years. Nonetheless, the number of **temporary contracts** is still too low. The proportion of highly paid positions – 16 posts at BAT I and higher – is too large given the number of departments. Also, the share of non-academic staff is relatively high. The absolute number has to be reduced in favour of hiring research staff. It goes without saying that it will take time to implement these changes.

With respect to the DIW budget it is to be noted that the institute rests heavily on outside funding. About one half of the budget, including the expenditures for the scientific staff, is financed by **third-party sources**; some departments are forced to finance up to 70 % of their budgets this way. The heavy dependence on outside funds results from the long tradition as an institute with a broad policy research and public advisory function. Most of the funds raised are granted from the German government or the German states and are dedicated to short-term projects. All in all, this state of the budget raises serious concern. The staff is forced to search and lobby continuously for new funded projects. Unavoidably, this goes at the cost of doing deeper research and of developing a coherent research program to be conducted by a critical number of correspondingly qualified researchers. As stated above, the institute hopes that by its principle of budget distribution – every department getting the same amount of basic funding – the department sizes will shrink to a healthy and sound size in the long run. But it seems a central guideline to departments as to gradually lowering the share of outside finance to about one third is necessary.

At the same time, a change in the structure of outside funding in favour of research money raised in competition from science foundations is desirable. In this respect, the institute has not been particularly successful. In the years 2001 – 2003, almost no research funds from the German Science Foundation (DFG) were acquired.¹ This figure increased over 2004. While the DIW has received additional DFG funds for joint research projects with two universities within and one university outside of Germany, these funds are administered by the respective institutions.

The institute's new governance system relies very much on **decentralization and autonomy of the department level**. However, that tends to overcharge and overload the department heads, given the various tasks they have to fulfil. The decentralized responsibility of the heads involves department management, searching for third-party finance, doing research, providing policy advice, teaching and promoting doctoral students and career promoting in general. In addition, some of the department heads have a full university appointment including a full-blown teaching load.

The new department heads have a strong transition process to undergo. In order to be able to cope with the accompanying problems they rely on the **support of the President**. It was questioned whether the fact that the President is head of two institutes at the same time (the DIW, Berlin, and the IZA, Bonn) will lead to him being not sufficiently involved in the DIW in the future.

The researchers work in a **positive spirit**. They are ready to approach new tasks and accept new challenges both in terms of writing high class publications and in other areas. In general, objectives and incentives are transparent and clearly defined by the management.

5. Promotion of Up-and-coming Academics and Cooperation

At present, 43 doctoral candidates work at the DIW. This number is sufficient although very unequally distributed among the departments. A large proportion of the doctoral students is in the SOEP department. Doctoral students are taken care of by the institute. There are some regular meetings but no structured doctoral program. At the moment, the DIW is endeavouring to set up a doctoral program entitled "Micropolis", which is aimed specifically at the type of research done

¹ The figures with respect to DFG funding within the presentation of DIW concerning the years 2001 and 2002 (€ 2,200 and 2,500 thousand) only refer to the SOEP budget. Until January 1, 2003, the SOEP group had been funded by the German Science Foundation (DFG).

by the institute. A corresponding application for EU funding has been submitted. DIW needs to cooperate with the Berlin universities to establish joint doctoral training. As a rule, doctoral students work in DIW projects which form the basis for their doctoral theses. Some of them receive stipends which allow them to work exclusively on their dissertations. They are paid according to BAT IIa/2. On average it takes 4 to 5 years to complete theses. This is regarded as too long and should be shortened. Furthermore, doctoral students need more guidance for providing scientific output.

The DIW is eager to create a high innovative potential even by networking with external scholars or institutions, by university cooperation or by several internal and external discussion activities. Cooperation with neighbouring universities has been intensified already by joint appointments of department heads. They are appointed, but not paid, professors with small teaching loads at a university. Also, there is a range of joint research projects or other common events. In terms of the training of doctoral students, however, the cooperation is insufficient. The DIW should pay more attention to the training and supervision of doctoral students and organize a structured program in conjunction with the universities.

6. Results and Scientific Resonance

Given the mission statement, the DIW is pursuing three objectives but with differing emphasis. As a research institute the DIW must put more emphasis on excellent research output.

As yet, the DIW has not achieved a **research output** performance in terms of the quality and quantity that can be expected of a top international institute. Overall, the institute's publication record is poor. In 2003, the average number of publications per researcher was approximately 5.25. This number comprises all publication types including articles in media published by DIW itself. The most important standard international goal is to have one SSCI journal paper per researcher per year based on research produced in-house. Over the period 2001 to 2003 the DIW achieved an average number of reviewed articles per researcher of 0.2 to 0.3. In 2004 this number was on the rise. Only the SOEP department reached the norm. The next evaluation will, however, carefully distinguish between research output achieved while working as a regular member of staff at the institute and output imported by the hiring of excellent academics with a good previous publication record.

Another of the institute's objectives is to develop and offer **scientific based service**. Service in terms of providing datasets is predominantly produced by the SOEP department. The results of this department are very satisfactory and internationally renowned. As regards services provided by the other departments there are some difficulties in measuring and assessing such services. This problem also applies to the other institute's task of **policy advice** for which DIW, however, has put forward a proposal for the introduction of an indicator system aware of the problem of developing a consistent and weighted concept that should refer to all tasks of the institute in a suitable manner.

7. Implementation of German Science Council's Recommendations

The DIW has followed most of the recommendations of the last evaluation and has therefore made considerable progress in organizational and scientific matters. The number of departments was reduced, while the departments were reorganized and more clearly defined in terms of research profile. The new department heads were jointly appointed with the neighbouring

universities. The role of the President has been strengthened, with the President now having the power of veto in all scientific and institutional affairs. New managerial and incentive structures aimed at promoting research output such as articles in reviewed journals or at raising research funds were introduced. Both numbers have increased, although they remain rather poor. In general, the institute displays a positive development, even if there is still much room for improvement. The status and career promotion of doctoral students, for instance, are still rather unsatisfactory. Structured doctoral programs in cooperation with universities still do not exist.

8. Summary of the Evaluation Committee's Recommendations

- The majority of experts points out that the mission of the DIW is not sufficiently focused in order to establish a research institution with a distinctive, outstanding profile and unique selling points in some fields of work at least. Both at the institute's level and at the departments' level a profile development process needs to be initiated despite considerations that innovative research processes evolve far better bottom-up than top-down.
- Concerning the amendment of statutes in favour of SOEP: there is no agreement on this issue. Several experts recommend the inclusion of services and policy advice into the institute's official tasks, mainly in order to improve the recognition of the specific role of the SOEP department as a research and service department for the social sciences with a separate budget. Other experts prefer to keep the statute unchanged as the task to produce services is a natural part of the institute's activity. The amendment to the statute concerning the formalization of services as an institute's task should be looked into.
- The DIW should follow a budget strategy of gradually reducing the share of third-party finance to about one third. With view to the foreseeable resource problems this strategy should have a multi-annual horizon. At the same time, the institute should increase its efforts to gain research funds from science foundations in competitive procedures. In particular, the share of funds coming from the German Research Foundation (DFG) and from the EU has to go up remarkably.
- The DIW should also increase the number of publications in internationally renowned reviewed journals. The reference value to strive for should be one reviewed article per researcher per year.
- The incentive schemes should be rethought in terms of the inclusion and appropriate weighting of services and policy advice as part of the institute's output. Resources for the interdepartmental incentive mechanism should be augmented significantly.
- The governance structure of the SOEP department should be reconsidered. In any case, an advisory sub-committee is to be established.
- The number of scientists on temporary contracts is still too low. This proportion should be increased to about 50 % of the scientific personnel engaged in research.
- The number of high ranked positions (BAT I and higher) should be adapted to the number of departments after the present holders of these positions will have resigned.
- The cooperation between the DIW and the universities is not sufficiently developed. This applies in particular to the training of doctoral students. The DIW should pay more attention on the training and supervision of doctoral students and organize a structured pro-

gram in conjunction with the cooperating universities. Doctoral students need more guidance with regard to the provision of scientific output.

- Central data management is to be improved in order to provide transparency for users inside and outside the DIW.
- The size of the Scientific Advisory Board should be reduced over time to about 10 members.

Appendix

Participants:

Chair (Member of the Senate Evaluation Committee)

Prof. Dr. Martina Brockmeier	Federal Agricultural Research Centre, Institute of Market Analysis and Agricultural Trade Policy
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Vice Chairs (Members of the Senate Evaluation Committee)

Prof. Dr. Dietrich Fürst	Hannover University, Institute of Regional Planning and Regional Sciences
Prof. Dr. Richard Hauser	Frankfurt/Main University, Institute of Economics
Prof. Dr. Dietrich Wegener	Dortmund University, Experimental Physics V

External Experts

Prof. Jutta Allmendinger , PhD	Institute for Employment Research, Nuernberg
Prof. Andrew Clark , PhD	Ecole normale supérieure, Department and Laboratory of Applied and Theoretical Economics, Paris
Dr. Rainer Durth	KfW (German Bank for Development), Financial Cooperation Policy Department
Prof. Dr. Bernhard Felderer	Cologne University, Faculty of Economics, Business Administration and Social Sciences
Prof. Dr. Bernd Fitzenberger	Frankfurt University, Chair of Labour Economics
Prof. Jonathan Gershuny , PhD	University of Essex, Institute for Social and Economic Research
Prof. Dr. Bernd Hansjürgens	Centre for Environmental Research Leipzig-Halle, Department of Economics, Sociology and Law
Dr. Heinz Herrmann	German Central Bank, Department of Economics, Frankfurt/Main
Prof. Arie Kapteyn , PhD	RAND Corporation, Santa Monica, California
Prof. Dr. Manfred Neumann	Bonn University, Department of Economics
Prof. Dr. Konrad Stahl	Mannheim University, Chair for Economics and Applied Microeconomics
Prof. Ian Wooton , PhD	University of Strathclyde, Department of Economics

Representative of the States

MinDirig Dr. Heribert Knorr	Ministry for Science, Research and the Arts of the State of Baden-Württemberg, Stuttgart
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2. Guests

Representative of the relevant Federal Department

MinR Jochen Homann	Federal Ministry for Economy and Work
Reinhold Friedrich	Federal Ministry for Education and Research

Representative of the relevant State Department

SenR Dr. Thomas Wißler	Berlin Administration for Science, Research, and Culture
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Representative of the Bund-Länder Commission for Educational Planning and Research Promotion

MinDirig. Jürgen Schlegel	
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Representative of the Leibniz Association

Prof. Dr. Christoph M. Schmidt	Rhine-Westphalia Institute for Economic Re- search, Essen
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Representative of the Scientific Advisory Board

Prof. Dr. Daniel S. Hamermesh	University of Texas at Austin, Bernard and Audrey Rapoport Building
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Representative of the User Committee

Prof. Dr. Gisela Trommsdorff	Konstanz University, Department of Psychol- ogy
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13.05.05

Anlage C: Stellungnahme der Einrichtung zum Bewertungsbericht

Deutsches Institut für Wirtschaftsforschung (DIW Berlin)

1. General response

DIW Berlin is a leading economic think tank in Germany, and strongly engaged in research, policy advice and service to the general public. These objectives require conceptual work as well as communication efforts. It is the Institute's vision to jointly produce research output and policy advice/service with equal weight. Although still in transition, the Institute has worked intensively to eliminate the deficits recognized in the last evaluation round carried out by the German Science Council.

The Senate Evaluation Committee (SEC) of the Leibniz Society has found: "The DIW has followed the recommendations of the German Science Council and has evidently developed considerably...The President, who took office in 2000, has set up an effective management structure as a prerequisite for improving the institute's output. The institute's main strengths lie in this new management structure which boasts a firm administrative footing, the step by step introduction of appropriate incentive schemes, senior positions filled by young and promising researchers during the last three years, as well as the dynamic and impressive spirit among researchers...In general remarkable improvements can be observed...(T)he experts feel that it would have been next to impossible to move faster than DIW has done, at least within the institutional framework structure in which the institute operates... (T)he DIW made a very positive upcoming impression."

The Institute is pleased to receive the positive recognition that the above statement implies. But it also welcomes the constructive criticism voiced in the following remarks: "All these facts raise reasonable hope with regard to overcoming the shortcomings: (i) a deficit in internationally renowned publications..., (ii) foreseeable resource problems in the next years, (iii) a deficit in third party funds won in competitive procedures, and (iv) heterogeneity between departments in terms of their scientific output, policy expertise, and number of PhD students... (T)he level of performance achieved as yet is still too low. The publication performance measured by international standards is insufficient... (T)he institute is required to demonstrate significant improvement in its output until the next evaluation. By then, it must be a high quality research institute according to international standard criteria."

DIW Berlin appreciates the evaluation by the SEC. The analysis and the perspective of the report are in line with its own assessments and ambitions. The Institute acknowledges that it must work relentlessly to preserve and proceed with the substantial improvements achieved in its research activities, its visibility in the academic community, and most importantly its publication record in international refereed journals. DIW Berlin is convinced that the newly implemented programs, recruitment of qualified employees, motivation and further education of current staff, strengthening of academic leadership, establishment of efficient structures of incentives and responsibilities, effective networking with universities, and the continuing professionalization of its service departments (Management Services, IT, Information and Organization) will bring about the desired achievements over the medium term.

The SEC Report clearly endorses the path that the Institute has taken to unequivocally strengthen its dedication to research without limiting the scope and quality of its policy advice and other services. This will facilitate the implementation of further strategic measures that have been recognized as appropriate. A modern and successful scientific institution must envision research, policy advice, and service as closely intertwined activities in order to master the challenges of growing international competition. Such an objective can lead to sustainable improvements in the quality of policy advice and service, which are prerequisites to achieving global excellence.

2. The Socio-economic Panel (SOEP)

The SEC Report confirms the internationally leading role of the Socio-economic Panel, which has already been noted by the German Science Council during its last evaluation. The SOEP

continues to demonstrate significant achievements in combining an innovative data production process with a globally renowned service for the academic community and a successful publication record in refereed journals. The dataset is also used for policy advice purposes and to achieve a strong media presence. The SOEP is thus in many respects a pioneer and a role model for the future development of the Institute. It also shows that the desired close interaction between service, advice, and research is achievable and bound to bring success. The interdisciplinarity of the Panel Group also provides a unique complementary profile for DIW Berlin.

The SOEP evolved from a project funded by the German National Science Foundation (DFG) that came to DIW Berlin in 1984. In 2000, the then newly appointed President established the SOEP as an own department within DIW Berlin. Accordingly, the Head of SOEP became a Head of Department. However, it was not until 2003 that the SOEP received long-term institutional funding. The overhead costs of the SOEP are still carried by DIW Berlin. The Panel has special access to Institute funds, e.g. funding by the Society of Friends of DIW Berlin (VdF) for awards and conferences. The close integration of the SOEP in the Institute is not only demonstrated by the increasing use of the panel by all research departments, but also by the fact that the Head of SOEP was appointed Research Director of DIW Berlin with cross-functional responsibilities in the research area of social risk management.

The evaluation report rightly emphasizes the large potential inherent in a further integration of the SOEP. It calls for an improvement in the governance of the Panel. Following the institutionalization of the Panel, the former SOEP Advisory Board, which acted as a scientific advisory board and at the same time as a monitoring committee, was dissolved. The DIW Board of Trustees was enlarged to include other representatives of the federal government (the Federal Ministry of Education and Research, which funds the SOEP to a large extent) and the state government (the Berlin Senate Department of Finance). The Chairman of the former SOEP Advisory Board became Chairman of the Scientific Advisory Board of DIW Berlin, which is now responsible for scientific matters regarding the SOEP. At the same time, a SOEP User Committee was established. Consisting of highly renowned academics, the committee reports to the Institute. Two members of the SOEP User Committee, one of whom is not an economist, are also members of the Scientific Advisory Board of DIW Berlin.

The integration process of the SOEP desires further attention and the governance can still be improved. This matter will immediately be dealt with in talks with the department and its head, the Scientific Advisory Board of DIW Berlin, the SOEP User Committee and the DIW Board of Trustees. Restricting the role of the user committee to service issues and data development while letting the Scientific Advisory Board of DIW Berlin handle all scientific issues will certainly contribute to clearer responsibilities and a more effective governance. This requires, however, that the interests of the various academic disciplines using the SOEP are adequately reflected in the work of the advisory board without ignoring the SEC proposal to reduce the number of board members. The proposal to establish an advisory sub-committee seems to be a promising solution which could be implemented in the immediate future.

3) The other research departments

In general, the SEC Report regards the structure of the departments and their research program as appropriate. Since the departments have just been reorganized after a complex restructuring process, and their heads have only recently been appointed in close cooperation with the universities, they will need several years to prove their strength and effectiveness. The observed heterogeneity is in part a direct consequence of the recent changes. The near future will show how far the scientific and financial freedom granted to the departments will yield the desired effects within the scope of the newly introduced incentive mechanisms and support structures involving the executive board and the service departments. The report discusses the work of each department in detail and provides important suggestions that will be taken into account. The SEC's call for coherent long-term research programs is certainly

appropriate and will be acknowledged by the Institute's management and the DIW Scientific Advisory Board.

Further mergers of departments would be inappropriate at this time. The department heads, whose university positions entail additional responsibilities, should instead lead smaller, more effective and more focussed research units. Although they have recently gained assistance by deputy heads, they should maintain and further improve their academic visibility. It will be necessary to evaluate in a few years whether the number, focus, and structure of each department has proven effective.

The SEC proposes to limit the amount of commissioned research while expanding third-party funding for basic research. At the same time, the share of temporary employment contracts for researchers should be raised. The implementation of this mission will take some time due to the existing long-term personnel and contract structures. Permanent contracts and a high average age of the staff result in a large self-financing share within the departments, which renders the reconciliation of basic research with policy advice and service more difficult than it would be otherwise. The Institute is nonetheless moving into a direction that should significantly reduce the workload resulting from commissioned research in the medium run. This includes a substantial improvement in the age structure as well as the consistent expansion of the doctoral student program and a more restrictive policy with regard to permanent employment contracts.

4) Strategic recommendations

The SEC Report demands a stronger focus and an enhanced profile for the entire Institute and on the department level. It nonetheless acknowledges the problems associated with narrowing down research topics and therefore provides a framework within which DIW Berlin can operate. In practice, the call for focus and vision collides with demands for academic excellence and flexibility. Ultimately, academic excellence and flexibility in providing service and policy advice have priority over pure focus. Moreover, a large research institute like DIW Berlin cannot concentrate on narrow topics. A long-term focus on important topics, however, will contribute to strengthening the Institute's competence in providing advice and service, to establishing a reputation for advice and research, and to achieving the basic size of research teams that will yield synergies and productive structures for academic research. The Institute is determined to meet these challenges.

Furthermore, DIW Berlin should again significantly increase its publication record in refereed journals. The target figure given is one article per researcher per year. The Institute welcomes this clear target and will make all efforts to achieve this ambitious goal. The prerequisite, however, is a clear focus of the Institute's work on improving its research activities. This is in line with the central task of the Institute, as described in its charter, to conduct research and make the findings available to the public as soon as possible. This description was formulated after the latest evaluation by the German Science Council in order to strengthen the role of research vis-à-vis policy advice, which had originally been the Institute's main task according to the statutes. A reintroduction of the advice task into the Institute's charter, as proposed by parts of the SEC, could run counter to this intention. This issue should therefore be discussed carefully by the responsible committees of the Institute.

DIW Berlin maintains its intention to produce research output and policy advice/service with equal weight. As the SEC report states, the Institute has also gained a strong reputation in policy advice and service. DIW Berlin is determined to keep up this reputation. For the purpose of central management, the Institute has introduced the instrument of program budgets in 2005. Quantitative and qualitative targets for research, policy advice, and service are defined in a target agreement valid for several years. The budget for each department is now developed as a bottom-up process based on sound cost accounting. The program budgets are determined by the Institute's committees, including the Scientific Advisory Board and the

Board of Trustees, and agreed with the third-party funding institutions during budget negotiations. This form of management allows the Institute to set and reconsider its priorities continually.

In its evaluation report, the SEC sees room for improvement in the cooperation with universities and demands a consistent expansion of the doctoral student program at DIW Berlin. The Institute regards this as a reinforcement of its networking activities. DIW Berlin has cooperation contracts with all universities in the region. This is reflected by the joint appointment of university professors, which not only results in substantial research cooperations and teaching activities by DIW Berlin staff members, but also in a stronger participation of the Institute in the doctoral programs at the Berlin universities. The expansion of its own doctoral program is a core strategic task of the Institute to ensure a necessary supply of qualified young researchers and to engage in networking with universities and other institutions, which have a demand for doctoral program graduates trained in policy related areas as well. Against this background, DIW Berlin also develops its own independent instruments to train and supervise doctoral students.